

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

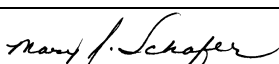
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **Charter Township of Meridian Ingham County, Michigan**

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## **Comprehensive Annual Financial Report with Supplemental Information Year Ended December 31, 2006**

Prepared by:

Department of Finance  
Diana Hasse, CPA  
Director of Finance



# **Charter Township of Meridian, Ingham County, Michigan**

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# **Charter Township of Meridian, Ingham County, Michigan**

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# **Charter Township of Meridian, Ingham County, Michigan**

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## **Introductory Section**

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# CHARTER TOWNSHIP OF MERIDIAN

Susan McGillicuddy  
Mary M.G. Helmbrecht  
Bruce D. Hunting  
Gerald J. Richards

Supervisor  
Clerk  
Treasurer  
Manager



Julie Brixie  
Andrew J. Such  
John Veenstra  
Anne M. Woivode

Trustee  
Trustee  
Trustee  
Trustee

June 15, 2007

To the Township Board and the Citizens  
of the Charter Township of Meridian:

The Comprehensive Annual Financial Report of the Charter Township of Meridian for the year ended December 31, 2006 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the Charter Township of Meridian issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the Charter Township of Meridian. All disclosures necessary to enable the reader to gain an understanding of the Charter Township of Meridian's activities have been included.

The Comprehensive Annual Financial Report (CAFR) was prepared in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Prior to 2003, the financial statements provided information about individual funds of the Township. These funds established by the Township show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the CAFR are still on an individual fund basis, GASB #34 requires new government-wide financial statements, which were prepared using accrual accounting for all government activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety, determine if the Township's overall financial position improved or deteriorated, and see how the Township invested in capital assets like water mains, sewers, parks, etc. The government-wide statements are aimed at looking at the Township as a whole and how it looks in the long term. Also included is a new section called the management's discussion and analysis, which is intended to give an easily readable analysis of the Township's financial performance for the year.

The financial reporting entity (the government) includes all the funds and account groups of the primary government (i.e., the Charter Township of Meridian) as legally defined, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a range of services including police and fire protection, water and sanitary sewer services, recreational activities, and cultural events.

5151 MARSH ROAD, OKEMOS, MICHIGAN 48864-1198 (517) 853-4000 FAX (517) 853-4096

<http://www.twp.meridian.mi.us>

An Equal Opportunity Employer

To the Township Board and the Citizens  
of the Charter Township of Meridian

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Economic Development Corporation is reported as a discretely presented component unit.

### **Governmental Structure, Local Economic Condition, and Outlook**

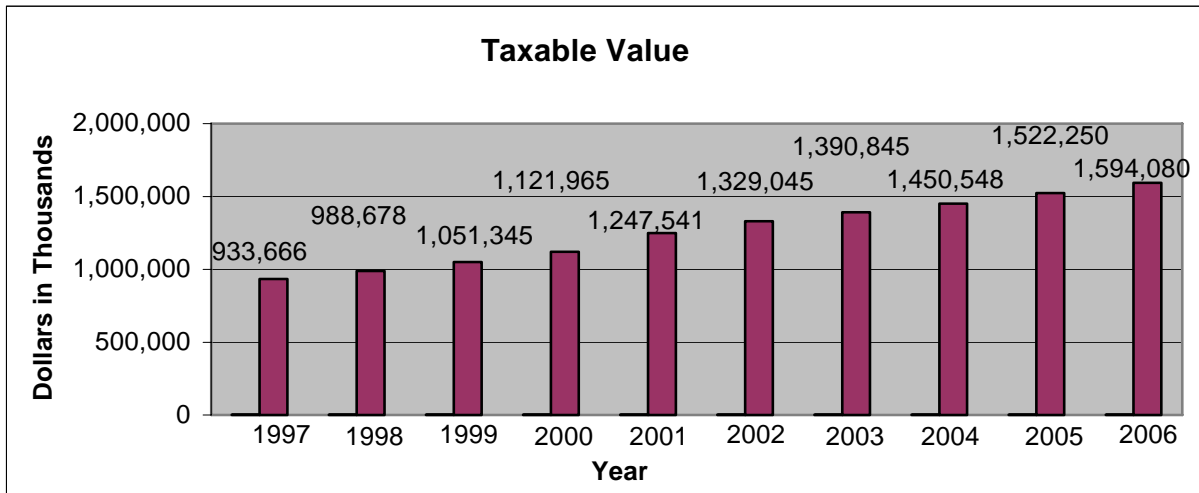
The governmental unit, organized in 1842 and chartered in 1959, is located on approximately 32 square miles in the south-central area of Lower Michigan. The municipality is a largely residential area located east of Lansing, the State Capital, and immediately adjacent to East Lansing, home of Michigan State University, and is part of the Lansing Metropolitan Area.

The Charter Township of Meridian (the “Township”) was established pursuant to Act 359, Public Act of Michigan, 1947, as amended. The Township is governed by a Township board, which is composed of a part-time supervisor, full-time clerk and treasurer, and four trustees serving four-year terms. The board is vested with all legislative powers, except those otherwise provided by law. The chief administrative officer is the Township manager, who is appointed by the Township board and serves at its pleasure. The manager is responsible for carrying out the policies and ordinances of the Township board, for overseeing the day-to-day operations of the government, and for appointing the heads of the Township’s departments.

The Charter Township of Meridian continues to be an attractive community for residential construction and commercial development. The following chart details the rise in taxable value over the last 10 years which, combined with a relatively constant tax rate, has allowed services to keep up with the demand of increased population and business activity. In 2006, the number of building permits issued decreased by 0.4 percent and the value of new construction increased 5.8 percent from the previous year. Individual investment was higher across both commercial and residential development. The activity in residential development is expected to continue over the next several years and commercial development will be enhanced by the addition of the Mixed Use Planned Unit Development Ordinance.



To the Township Board and the Citizens  
of the Charter Township of Meridian



The sluggish state economy and reduced tax rates have resulted in flat state revenue sharing to the Township for the past three years. The Township reduced expenditures to meet this challenge. No increases are projected in future years.

### Major Initiatives

The Township's staff, following specific directives from the board and the manager, has been involved in a variety of projects throughout the year. These projects reflect the Township's commitment to promote the safety and welfare of its residents as well as investing in the infrastructure vital to sustaining quality service delivery.

The following accomplishments are indicative of the commitment to maintaining a quality community:

- Purchased and set aside five parcels totaling 185 acres through the Land Preservation Program
- Completed Phase II of a three-year program to change over all water meters to a remote-read system
- Added .74 miles of pedestrian bicycle pathways, 1.62 miles of public water main, and 1.41 miles of sanitary sewer lines
- Annual fire losses township-wide were a very low \$426,600
- Continued a three-year trend of lowering both vehicle accidents and injuries occurring in the Township

To the Township Board and the Citizens  
of the Charter Township of Meridian

## **Financial Information**

**Internal Controls** - Management of the Township is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

**Budgetary Controls** - The Township maintains extensive budgetary controls. Formal budgets are adopted for all funds on a functional level. However, budgetary controls are exercised at a line-item level for internal control purposes. The government maintains an encumbrance accounting system. Encumbered amounts lapse at year end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget.

**Long-term Planning** - The Township prepares a one-year budget; however, longer-range planning is engaged in to ensure that future needs and opportunities are addressed. These planning tools include the following:

- Public Improvements Plan (PIP) - A review of planned public improvements in the next five years, which is updated annually
- Technology upgrade/replacement plan - A 10-year plan which is updated annually as part of the budget process
- Vehicle replacement plan - A 10-year plan for replacing Township vehicles and heavy equipment, which is reviewed annually as part of the budget process
- Tax revenue projections - A five-year estimate of future tax revenues based on economic reports, expected growth in tax base, and anticipated tax rates, which is updated annually
- Policy governance manual - Policy statements and priorities set forth by the Township board, updated annually
- Park maintenance plan - A five-year plan for maintaining the Township parks, updated annually
- Water and Sewer rate model - A 10-year projection of commodity, capital, and maintenance costs, updated annually

To the Township Board and the Citizens  
of the Charter Township of Meridian

**2006 Financial Condition** - The financial condition and results of operations for 2006 are discussed in the management's discussion and analysis section of the CAFR. The Township continues to maintain a strong financial position and provides services from current revenues

**Pension Plan** - The Charter Township of Meridian provides a pension plan for all full-time employees. The Township contributes either to its own defined benefit pension plan, a defined benefit plan through the Michigan Municipal Employees' Retirement System, or a defined contribution plan through the International City Management Association. Benefits and contributions vary according to individual collective bargaining agreements

**Deferred Compensation Plan** - The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency

**Debt Administration** - At year end, the Township had a limited number of debt issues outstanding. These issues included \$750,000 in general obligation bonds and \$1,971,701 in installment loans. The Township's general obligation bond ratings were reviewed in 2004. Standard and Poor's Corporation affirmed the A+ rating and Moody's Investor Service upgraded the rating from A1 to Aa3

There were no new bonds issued in 2006

**Cash Management** - It is the policy of the Township to invest public funds in the manner which will provide the highest investment return, with the maximum security, while meeting the daily cash flow demands of the Township and conforming to all state statutes and local ordinances governing the investment of public funds. The funds of the Township are invested in accordance with Michigan Public Act 20 of 1943, as amended by Public Act 196 of 1997, and as further amended from time to time. The Township's long-term goal is to have an average maturity portfolio of six months to 18 months

**Risk Management** - The Township is covered through the Michigan Municipal Liability and Property Pool for claims relating to property loss, torts, and errors and omission; the Michigan Municipal Workers' Compensation Fund for claims relating to workers' compensation; and Canada Life for employee disability and life insurance coverage.

To the Township Board and the Citizens  
of the Charter Township of Meridian

### **Other Information**

**Independent Audit** - An annual audit, required by state statute, of accounts, financial records, and transactions has been completed by the independent certified public accountants of Plante & Moran, PLLC. The firm was re-appointed by the Township through an open bid process in 2006. Bids are requested every five to seven years

**Certificate of Achievement** - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Charter Township of Meridian for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005

**Acknowledgments** - The preparation of this report could not have been accomplished without the efficient and dedicated services of the accounting and budgeting department and the treasurer's department

Respectfully submitted,



Gerald J. Richards  
Township Manager



Diana Hasse, CPA  
Director of Finance

Charter Township of Meridian  
List of Elected and Appointed Officials  
December 31, 2006

Elected Officials

Supervisor	Susan McGillicuddy
Clerk	Mary M. G. Helmbrecht
Treasurer	Bruce D. Hunting
Trustee	Julie Brixie
Trustee	Andrew J. Such
Trustee	John Veenstra
Trustee	Anne M. Woiwode

Appointed Officials

Manager	Gerald J. Richards
Asst. Manager/Personnel Director	Paul Brake
Finance Director	Diana Hasse
Parks and Recreation Director	LuAnn Maisner
Assessor	Scott Cunningham
Community Planning and Development Director	Mark Kieselbach
Engineering and Public Works Director	Ray Severy
Fire Chief	Fred Cowper
Police Chief	David Hall

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Charter Township of Meridian  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

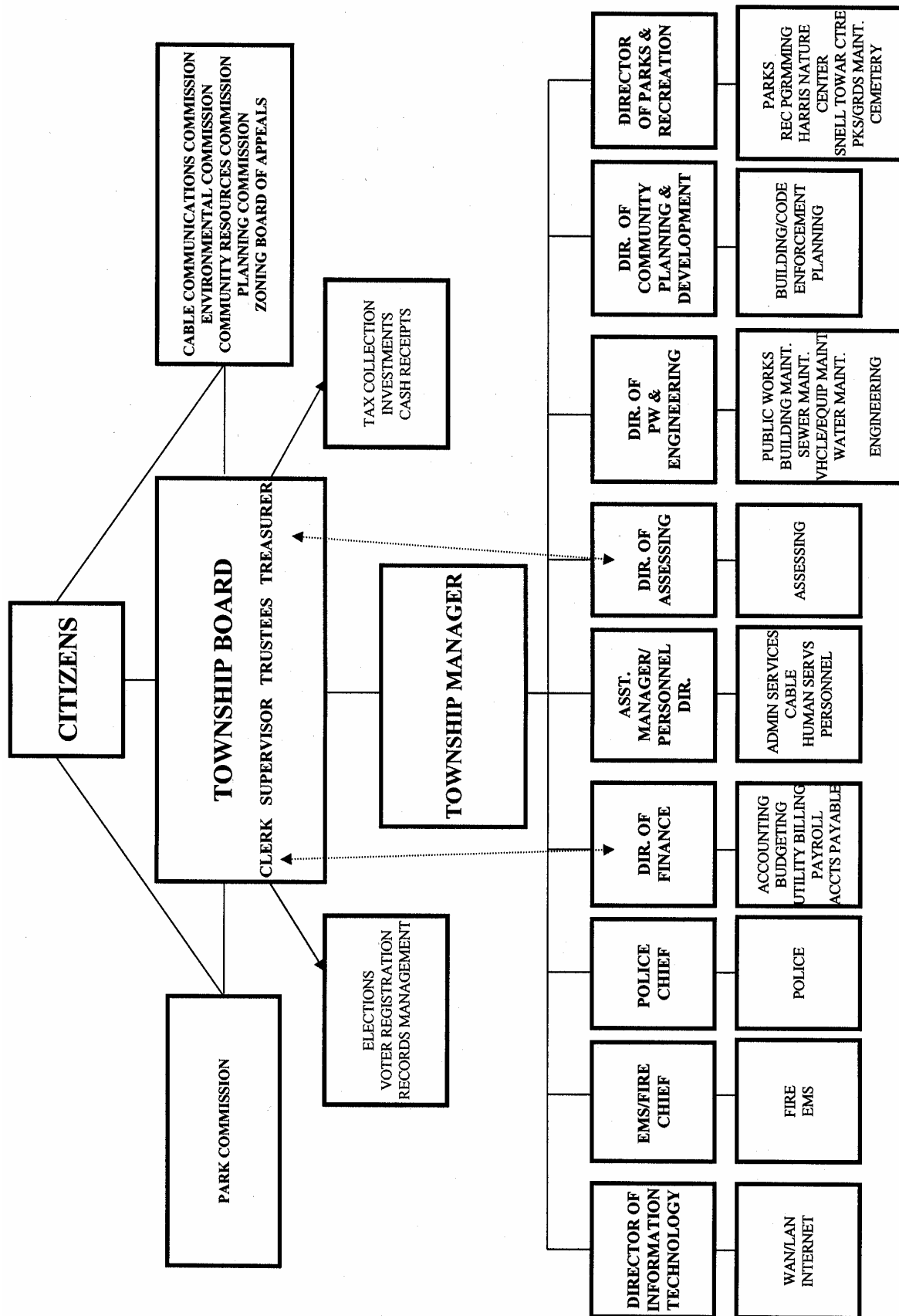


A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



Dotted Lines – Denotes Relationship defined by State Statute

## **Financial Section**

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**Plante & Moran, PLLC**

1111 Michigan Ave.  
East Lansing, MI 48823  
Tel: 517.332.6200  
Fax: 517.332.8502  
plantemoran.com

## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Meridian

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Meridian, Ingham County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Meridian's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Meridian, Ingham County, Michigan as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Charter Township of Meridian

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Meridian, Ingham County, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and retirement systems schedules of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Plante & Moran, PLLC*

June 15, 2007

## **Management's Discussion and Analysis**

# Charter Township of Meridian, Ingham County, Michigan

## Management's Discussion and Analysis

### Overview of the Financial Statements

This is the fourth year that Meridian Township's Comprehensive Annual Financial Report (CAFR) is presented in the format required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The 2006 annual report consists of five parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplemental information, (4) other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds, and (5) a statistical section. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental Activities** - Most of the Township's basic services are included here, such as the police, fire, streets and highways, recreation, parks, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.
- **Business-type Activities** - The Township charges fees to customers to cover the costs of certain services it provides. The Township's water and sewer system are treated as business-type activities.
- **Component Unit** - The Township includes one other entity in its report: the Economic Development Corporation. Although legally separate, this "component unit" is important because the Township is financially accountable for it.

# Charter Township of Meridian, Ingham County, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of revenues and spending for particular purposes. Some funds are required by state law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- **Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Propriety Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary Fund** - The Township is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

# Charter Township of Meridian, Ingham County, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Overview

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 23,114,463	\$ 24,324,595	\$ 7,911,883	\$ 7,835,833	\$ 31,026,346	\$ 32,160,428
Capital assets	25,735,548	22,779,384	35,794,741	34,221,292	61,530,289	57,000,676
Investment in joint venture	-	-	4,588,936	4,904,603	4,588,936	4,904,603
Total assets	48,850,011	47,103,979	48,295,560	46,961,728	97,145,571	94,065,707
<b>Liabilities</b>						
Current liabilities	13,948,832	12,965,959	268,951	189,034	14,217,783	13,154,993
Long-term liabilities	2,803,993	4,651,265	118,473	298,417	2,922,466	4,949,682
Total liabilities	16,752,825	17,617,224	387,424	487,451	17,140,249	18,104,675
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	23,013,842	18,875,761	35,653,313	33,998,273	58,667,155	52,874,034
Restricted	1,562,847	3,462,965	-	-	1,562,847	3,462,965
Unrestricted (deficit)	7,520,498	7,148,029	12,254,823	12,476,004	19,775,321	19,624,033
Total net assets	<u>\$ 32,097,187</u>	<u>\$ 29,486,755</u>	<u>\$ 47,908,136</u>	<u>\$ 46,474,277</u>	<u>\$ 80,005,323</u>	<u>\$ 75,961,032</u>

The Township has combined net assets of \$80 million. Business-type activities comprise \$47.9 million, and governmental activities make up \$32.1 million of the total net assets. Total net assets increased by \$4.0 million or 5.3 percent. This increase is the net effect of increasing capital and restricted assets by \$3.9 million and unrestricted net assets by \$0.1 million. The current level of unrestricted net assets for governmental activities - which can be used to finance on-going operations of the Township and expenses related to special revenues - stands at over \$7.5 million, or about 43.2 percent of annual governmental expenses.

The current ratio (current assets divided by current liabilities) is healthy at 2.18. This means that the Township has adequate current assets to meet its current liabilities. Long-term liabilities of \$2.9 million represent only 3.7 percent of net assets, indicating that debt is not a burden to current or future revenues.

# Charter Township of Meridian, Ingham County, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Overview (Continued)

The following table shows the changes in net assets:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,514,335	\$ 2,972,997	\$ 7,536,114	\$ 7,957,295	\$ 11,050,449	\$ 10,930,292
Operating grants and contributions	75,559	140,212	-	-	75,559	140,212
Capital grants and contributions	-	443,662	1,238,570	3,171,845	1,238,570	3,615,507
General revenue:						
Property taxes	11,786,631	11,294,631	-	-	11,786,631	11,294,631
State-shared revenue	3,010,487	3,066,472	-	-	3,010,487	3,066,472
Unrestricted investment earnings	746,638	489,682	252,794	175,305	999,432	664,987
Franchise fees	602,204	536,926	-	-	602,204	536,926
Other revenue	306,549	244,445	-	-	306,549	244,445
<b>Total revenue</b>	<b>20,042,403</b>	<b>19,189,027</b>	<b>9,027,478</b>	<b>11,304,445</b>	<b>29,069,881</b>	<b>30,493,472</b>
<b>Program Expenses</b>						
General government	3,919,691	3,737,801	-	-	3,919,691	3,737,801
Public safety	10,999,162	10,211,219	-	-	10,999,162	10,211,219
Public works	348,486	376,986	-	-	348,486	376,986
Health and welfare	76,230	69,482	-	-	76,230	69,482
Recreation and culture	1,851,726	1,699,740	-	-	1,851,726	1,699,740
Interest on long-term debt	181,677	260,326	-	-	181,677	260,326
Water and sewer	-	-	7,648,619	7,409,862	7,648,619	7,409,862
<b>Total program expenses</b>	<b>17,376,972</b>	<b>16,355,554</b>	<b>7,648,619</b>	<b>7,409,862</b>	<b>25,025,591</b>	<b>23,765,416</b>
<b>Excess Before Transfers</b>	<b>2,665,431</b>	<b>2,833,473</b>	<b>1,378,859</b>	<b>3,894,583</b>	<b>4,044,290</b>	<b>6,728,056</b>
<b>Transfers</b>	<b>(55,000)</b>	<b>(55,000)</b>	<b>55,000</b>	<b>55,000</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>\$ 2,610,431</b>	<b>\$ 2,778,473</b>	<b>\$ 1,433,859</b>	<b>\$ 3,949,583</b>	<b>\$ 4,044,290</b>	<b>\$ 6,728,056</b>

### Governmental Activities

Revenues for governmental activities totaled approximately \$20 million in 2006. A total of \$11.8 million was in the form of property tax collections that reflect no increase in the total millage rate, but an increase of approximately \$71 million in taxable value or 4.7 percent due to new construction and inflationary increases in existing properties. State-shared revenues remain stagnant at approximately \$3.0 million for the last three fiscal years. (2004 was \$242,000 or 7.4 percent less than in 2003). Charges for services generated \$3.5 million.

# **Charter Township of Meridian, Ingham County, Michigan**

## **Management's Discussion and Analysis (Continued)**

Expenses for governmental activities totaled \$17.4 million. More than half (63 percent) of this expense funded public safety in the Township.

### **Business-type Activities**

Business-type activities in the Township include water and sewer services. Revenues for business-type activities totaled \$9.0 million. A total of \$7.5 million was collected from customers and \$1.2 million is the value of assets contributed by developers. The Township purchases water from the East Lansing-Meridian Water Sewer Authority and water is distributed by the Township through mains to customers. The Township contracts for sewage treatment from the City of East Lansing Wastewater Treatment Plant. Township residential customers are billed quarterly for water and sewer service based on water consumption. Commercial customers are billed monthly.

### **Current Economic Events**

Meridian Township continues to experience growth in the community. This is seen in a continuing strong housing market, as well as new construction growth. The Township has seen an increase in taxable value over the past five years of approximately 28 percent. This provides increasing tax revenues, but is offset by increased demand for services.

The State of Michigan is experiencing significant budgeting problems, and as it looks for solutions, revenue sharing continues to be under attack. As noted above, the Township's share of state revenue sharing was flat for the past three years .

Personnel costs represent approximately 75 percent of the operating expenses of the Township. While wage increases have been held to minimal amounts - averaging less than 3 percent - the cost of health care continues to be a concern. A change in providers held 2006 costs close to 2005 and payroll taxes, pension, and other personnel costs continue to rise as well.

### **Financial Analysis of Township Funds and Budgets**

The General Fund ended 2006 with an undesignated fund balance of approximately \$4,975,000 (compared with \$4,521,000 in 2005). This represents 3.2 months of annual expenditures which is within the requirements of policy governance established by the Township board. The increase is primarily a result of managing the timing of capital projects and sound financial management of on-going operations. In spite of flat state-shared revenue and rising personnel costs, the Township has successfully operated with a balanced budget. This has been accomplished with the dedicated efforts of all employees to work more efficiently, manage expenditures, and enhance revenues whenever possible.

The Land Preservation Fund reduced fund balance by \$1.9 million in 2006 as land was purchased in accordance with the purpose of the fund. No significant change occurred in the nonmajor governmental funds.



# **Charter Township of Meridian, Ingham County, Michigan**

## **Management's Discussion and Analysis (Continued)**

The General Fund of the Township operates with a board-approved budget. This budget is monitored and amended as needed throughout the year. Such amendments are primarily related to projects carried over from the prior year and unanticipated projects. In addition, unexpected changes in projected revenues may result in changes to the expenditure budgets (e.g., reduction in state-shared revenue). All departments ended the year under budgeted expenditures.

### **Capital Projects**

The Township did not complete any major capital projects in 2006, but has an on-going building maintenance program. Several land acquisitions were completed for preservation and future development. The Township also has an on-going program to maintain and improve technology.

The Land Preservation Fund purchased land in accordance with the Land Preservation Ordinance.

On-going improvements continued to water lines and mains, the sewer system, and lift stations. The water meter-reading equipment is being upgraded to a radio-read system. This upgrade will be completed Township-wide in 2007.

More detailed information about capital assets is presented in Note 5 to the financial statements.

### **Long-term Debt Activity**

Long-term debt for governmental activities decreased by approximately \$1.2 million during 2006. No new debt was issued, while the liability for compensated absences increased by approximately \$46,000. Payments of \$1.2 million were made on outstanding debt. Debt for business-type activities decreased by \$178,000 to \$101,000.

More detailed information about long-term liabilities is presented in Note 7 to the financial statements.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the finance department at the Township's municipal building.

## **Basic Financial Statements**

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# Charter Township of Meridian, Ingham County, Michigan

## Statement of Net Assets December 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>Assets</b>				
Cash and investments (Note 3)	\$ 16,429,784	\$ 5,737,741	\$ 22,167,525	\$ 105,853
Receivables - Net (Note 4)	7,124,022	1,459,043	8,583,065	-
Internal balances	(443,853)	443,853	-	-
Inventories	-	267,390	267,390	-
Prepaid costs	4,510	3,856	8,366	-
Net investment in East Lansing - Meridian Water and Sewer Authority (Note 12)	-	4,588,936	4,588,936	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	19,154,300	363,060	19,517,360	-
Assets subject to depreciation	6,581,248	35,431,681	42,012,929	-
<b>Total assets</b>	<b>48,850,011</b>	<b>48,295,560</b>	<b>97,145,571</b>	<b>105,853</b>
<b>Liabilities</b>				
Accounts payable	472,442	123,309	595,751	-
Performance deposits payable	123,352	-	123,352	-
Accrued and other liabilities	530,168	25,239	555,407	-
Due to other governmental units	46,410	-	46,410	-
Unearned revenue (Note 4)	12,065,019	19,800	12,084,819	-
Noncurrent liabilities (Note 7):				
Due within one year	711,441	100,603	812,043	-
Due in more than one year	2,803,993	118,473	2,922,467	-
<b>Total liabilities</b>	<b>16,752,825</b>	<b>387,424</b>	<b>17,140,249</b>	<b>-</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	23,013,842	35,653,313	58,667,155	-
Restricted:				
Land preservation	1,525,637	-	1,525,637	-
Debt service	37,210	-	37,210	-
Unrestricted	7,520,498	12,254,823	19,775,321	105,853
<b>Total net assets</b>	<b>\$ 32,097,187</b>	<b>\$ 47,908,136</b>	<b>\$ 80,005,323</b>	<b>\$ 105,853</b>

# Charter Township of Meridian, Ingham County, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 3,919,691	\$ 208,370	\$ 47,908	\$ -
Public safety	10,999,162	2,843,391	26,514	-
Public works	348,486	142,715	-	-
Health and welfare	76,230	-	-	-
Recreation and culture	1,851,726	319,859	1,137	-
Interest on long-term debt	181,677	-	-	-
Total governmental activities	17,376,972	3,514,335	75,559	-
Business-type activities:				
Water	4,173,403	4,077,726	-	984,810
Sewer	3,475,216	3,458,388	-	253,760
Total business-type activities	7,648,619	7,536,114	-	1,238,570
Total primary government	<u>\$ 25,025,591</u>	<u>\$ 11,050,449</u>	<u>\$ 75,559</u>	<u>\$ 1,238,570</u>
Component unit - Economic Development Corporation				
	<u>\$ 18,879</u>	<u>\$ 10,015</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise revenues				
Miscellaneous				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (3,663,413)	\$ -	\$ (3,663,413)	\$ -
(8,129,257)	-	(8,129,257)	-
(205,771)	-	(205,771)	-
(76,230)	-	(76,230)	-
(1,530,730)	-	(1,530,730)	-
(181,677)	-	(181,677)	-
(13,787,077)	-	(13,787,077)	-
-	889,133	889,133	-
-	236,932	236,932	-
-	1,126,065	1,126,065	-
(13,787,077)	1,126,065	(12,661,012)	-
-	-	-	(8,864)
11,786,631	-	11,786,631	-
3,010,487	-	3,010,487	-
746,638	252,794	999,432	4,731
602,204	-	602,204	-
306,549	-	306,549	-
(55,000)	55,000	-	-
16,397,509	307,794	16,705,303	4,731
2,610,432	1,433,859	4,044,291	(4,133)
29,486,755	46,474,277	75,961,032	109,986
<b>\$ 32,097,187</b>	<b>\$ 47,908,136</b>	<b>\$ 80,005,323</b>	<b>\$ 105,853</b>

# Charter Township of Meridian, Ingham County, Michigan

## Governmental Funds Balance Sheet December 31, 2006

	General Fund	Land Preservation Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 10,028,253	\$ 2,467,951	\$ 3,173,438	\$ 15,669,642
Receivables - Net (Note 4)	5,277,015	655,849	1,191,158	7,124,022
Prepaid costs and other assets	2,935	-	1,575	4,510
Due from other funds (Note 6)	1,056	-	-	1,056
Total assets	<u>\$ 15,309,259</u>	<u>\$ 3,123,800</u>	<u>\$ 4,366,171</u>	<u>\$ 22,799,230</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 414,089	\$ 7,463	\$ 18,511	\$ 440,063
Performance deposits payable	123,352	-	-	123,352
Accrued and other liabilities	403,543	-	11,540	415,083
Due to other funds (Note 6)	21,000	423,909	-	444,909
Due to other governmental units	-	-	46,410	46,410
Deferred revenue (Note 4)	9,357,848	1,166,791	1,724,518	12,249,157
Total liabilities	10,319,832	1,598,163	1,800,979	13,718,974
<b>Fund Balances</b>				
Reserved for prepaid costs	2,935	-	1,575	4,510
Unreserved, reported in:				
General Fund:				
Designated for recreation and tourism	11,295	-	-	11,295
Undesignated	4,975,197	-	-	4,975,197
Special Revenue Funds:				
Designated for land preservation	-	1,525,637	-	1,525,637
Designated for CATA millage	-	-	11,112	11,112
Undesignated	-	-	2,515,295	2,515,295
Debt Service Funds	-	-	37,210	37,210
Total fund balances	<u>4,989,427</u>	<u>1,525,637</u>	<u>2,565,192</u>	<u>9,080,256</u>
Total liabilities and fund balances	<u>\$ 15,309,259</u>	<u>\$ 3,123,800</u>	<u>\$ 4,366,171</u>	<u>22,799,230</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds (excluding Internal Service Fund capital assets)	24,845,447
Special assessment receivables and other receivables are not available to pay for current year expenditures	184,138
Long-term liabilities are not due and payable in the current period and are not reported in the funds (excluding Internal Service Fund long-term liabilities)	(3,506,240)
Accrued interest payable is not due and payable in the current period and is not reported in the funds	(112,048)
Internal Service Funds are included as part of governmental activities	1,605,633

Net assets of governmental activities

**\$ 32,097,186**

# Charter Township of Meridian, Ingham County, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2006

	General Fund	Land Preservation Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 9,215,501	\$ 1,109,564	\$ 1,461,566	\$ 11,786,631
Licenses and permits	416,095	-	-	416,095
Federal grants	-	-	16,531	16,531
State-shared revenues and grants	3,111,902	-	9,983	3,121,885
Special assessments	-	-	111,930	111,930
Charges for services	2,743,443	-	488,381	3,231,824
Interest income	480,197	104,286	131,842	716,325
Other	438,261	12,015	103,280	553,556
Total revenue	16,405,399	1,225,865	2,323,513	19,954,777
<b>Expenditures</b>				
Current:				
General government	4,392,426	-	-	4,392,426
Public safety	9,963,790	-	115,016	10,078,806
Public works	146,694	-	148,647	295,341
Health and welfare	67,131	-	9,099	76,230
Recreation and culture	540,634	31,585	1,078,398	1,650,617
Capital outlay	160,889	2,820,809	678,854	3,660,552
Debt service	662,093	300,000	370,857	1,332,950
Total expenditures	15,933,657	3,152,394	2,400,871	21,486,922
<b>Excess of Revenue Over (Under) Expenditures</b>	471,742	(1,926,529)	(77,358)	(1,532,145)
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	-	-	131,720	131,720
Transfers out (Note 6)	(121,720)	-	(65,000)	(186,720)
Total other financing sources (uses)	(121,720)	-	66,720	(55,000)
<b>Net Change in Fund Balances</b>	350,022	(1,926,529)	(10,638)	(1,587,145)
<b>Fund Balances - Beginning of year</b>	4,639,405	3,452,166	2,575,830	10,667,401
<b>Fund Balances - End of year</b>	<u>\$ 4,989,427</u>	<u>\$ 1,525,637</u>	<u>\$ 2,565,192</u>	<u>\$ 9,080,256</u>

# Charter Township of Meridian, Ingham County, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (1,587,145)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 3,611,864

Depreciation on capital assets is recorded in the statement of activities; it is not recorded at the fund level (523,672)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (83,920)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,152,894

Interest expense is recorded in the statement of activities when incurred; it is not reported in the funds until paid 58,625

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (44,837)

Internal Service Funds are also included as governmental activities 26,622

**Change in Net Assets of Governmental Activities** **\$ 2,610,431**



# Charter Township of Meridian, Ingham County, Michigan

## Proprietary Funds Statement of Net Assets December 31, 2006

	Water Fund	Sewer Fund	Total Enterprise Funds	Internal Service Fund - Motor Pool
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 725,366	\$ 633,003	\$ 1,358,369	\$ 760,142
Investments	1,639,883	2,739,489	4,379,372	-
Receivables - Net (Note 4)	756,991	702,052	1,459,043	-
Due from other funds (Note 6)	12,500	432,409	444,909	-
Inventories	267,390	-	267,390	-
Prepaid costs	3,731	125	3,856	-
Total current assets	3,405,861	4,507,078	7,912,939	760,142
Noncurrent assets:				
Investment in East Lansing - Meridian Water and Sewer Authority	4,588,936	-	4,588,936	-
Capital assets	19,164,141	16,630,600	35,794,741	890,101
Total noncurrent assets	23,753,077	16,630,600	40,383,677	890,101
Total assets	27,158,938	21,137,678	48,296,616	1,650,243
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	29,060	94,249	123,309	32,379
Accrued and other liabilities	14,236	11,003	25,239	3,037
Due to other funds (Note 6)	528	528	1,056	-
Deferred revenue (Note 4)	19,800	-	19,800	-
Current portion of long-term debt	93,095	7,507	100,603	1,839
Total current liabilities	156,719	113,287	270,007	37,255
Noncurrent liabilities - Long-term debt - Net of current portion	88,445	30,029	118,473	7,355
Total liabilities	245,164	143,316	388,480	44,610
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	19,022,713	16,630,600	35,653,313	880,907
Unrestricted	7,891,061	4,363,762	12,254,823	724,726
Total net assets	<u>\$ 26,913,774</u>	<u>\$ 20,994,362</u>	<u>\$ 47,908,136</u>	<u>\$ 1,605,633</u>

# Charter Township of Meridian, Ingham County, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
				Internal Service
	Water Fund	Sewer Fund	Total Enterprise Funds	Fund - Motor Pool
<b>Operating Revenue</b>				
Sale of water	\$ 3,432,696	\$ -	\$ 3,432,696	\$ -
Sewage disposal charges	-	2,942,886	2,942,886	-
Charges for services	589,515	451,861	1,041,376	1,013,531
Other	55,515	63,641	119,156	12,645
Total operating revenue	4,077,726	3,458,388	7,536,114	1,026,176
<b>Operating Expenses</b>				
Purchase of water from East Lansing - Meridian Water and Sewer Authority	1,598,063	-	1,598,063	-
Disposal plant	-	1,474,738	1,474,738	-
Personnel services	773,868	677,483	1,451,351	-
General administration	544,909	499,997	1,044,906	182,173
Operation and maintenance	250,471	250,967	501,438	482,690
Depreciation	680,997	572,031	1,253,028	363,383
Total operating expenses	3,848,308	3,475,216	7,323,524	1,028,246
<b>Operating Income (Loss)</b>	229,418	(16,828)	212,590	(2,070)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	105,550	147,244	252,794	30,430
Interest expense	(9,428)	-	(9,428)	(1,738)
Loss from joint venture	(315,667)	-	(315,667)	-
Total nonoperating revenue (expenses)	(219,545)	147,244	(72,301)	28,692
<b>Income - Before contributions and transfers</b>	9,873	130,416	140,289	26,622
<b>Capital Contributions</b>	984,810	253,760	1,238,570	-
<b>Operating Transfers In (Note 6)</b>	400,000	55,000	455,000	-
<b>Operating Transfers Out (Note 6)</b>	-	(400,000)	(400,000)	-
<b>Changes in Net Assets</b>	1,394,683	39,176	1,433,859	26,622
<b>Net Assets - Beginning of year</b>	25,519,091	20,955,186	46,474,277	1,579,011
<b>Net Assets - End of year</b>	<u>\$ 26,913,774</u>	<u>\$ 20,994,362</u>	<u>\$ 47,908,136</u>	<u>\$ 1,605,633</u>

# Charter Township of Meridian, Ingham County, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
				Internal Service
	Water Fund	Sewer Fund	Total Enterprise Funds	Fund - Motor Pool
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 4,137,231	\$ 3,492,687	\$ 7,629,918	\$ 1,026,176
Payments to suppliers	(2,631,174)	(2,144,108)	(4,775,282)	(478,731)
Payments to employees	(772,381)	(677,226)	(1,449,607)	(182,085)
Internal activity - Payments to other funds	(10,123)	(6,741)	(16,864)	-
Net cash provided by operating activities	723,553	664,612	1,388,165	365,360
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from other funds	400,000	55,000	455,000	-
Transfers to other funds	-	(400,000)	(400,000)	-
Net cash provided by (used in) noncapital financing activities	400,000	(345,000)	55,000	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(1,224,187)	(363,720)	(1,587,907)	(231,355)
Principal and interest paid on long-term debt	(86,456)	(2,313)	(88,769)	(29,512)
Net cash used in capital and related financing activities	(1,310,643)	(366,033)	(1,676,676)	(260,867)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	105,550	147,244	252,794	30,430
Purchase of investment securities	(54,490)	(462,017)	(516,507)	-
Proceeds from sale and maturities of investment securities	-	347,881	347,881	-
Net cash provided by investing activities	51,060	33,108	84,168	30,430
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(136,030)	(13,313)	(149,343)	134,923
<b>Cash and Cash Equivalents - Beginning of year</b>	861,396	646,316	1,507,712	625,219
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 725,366</u>	<u>\$ 633,003</u>	<u>\$ 1,358,369</u>	<u>\$ 760,142</u>

# Charter Township of Meridian, Ingham County, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
				Internal Service
	Water Fund	Sewer Fund	Total Enterprise Funds	Fund - Motor Pool
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 229,418	\$ (16,828)	\$ 212,590	\$ (2,070)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	680,997	572,031	1,253,028	363,383
Changes in assets and liabilities:				
Receivables	59,505	34,299	93,804	-
Due from other funds	(10,651)	(7,269)	(17,920)	-
Inventories	(146,620)	-	(146,620)	-
Prepaid costs and other assets	4,063	5,679	9,742	2,277
Accounts payable	(102,435)	75,915	(26,520)	1,682
Accrued and other liabilities	1,487	257	1,744	88
Due to other funds	528	528	1,056	-
Deferred revenue	7,261	-	7,261	-
Net cash provided by operating activities	<u>\$ 723,553</u>	<u>\$ 664,612</u>	<u>\$ 1,388,165</u>	<u>\$ 365,360</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2006, water and sewer lines, valued at \$1,238,570, were donated by developers to the Township and are recorded in the Enterprise Funds. Also, during the year ended December 31, 2006, the Township incurred an unrealized loss in investments of \$315,667 for the Water Fund.

# Charter Township of Meridian, Ingham County, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2006

	Pension Trust Fund	Tax Collection Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 535,640	\$ 5,502,309
Investments:		
U.S. government bonds	874,702	-
Stocks	1,882,770	-
Mutual funds and other	2,086,449	-
Receivables - Accrued interest	17,798	-
Total assets	5,397,359	<u>\$ 5,502,309</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 3,818
Due to other governmental units	-	5,498,491
Total liabilities	-	<u>\$ 5,502,309</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 5,397,359</u>	

# Charter Township of Meridian, Ingham County, Michigan

## **Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2006**

	Pension Trust Fund
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 144,792
Net increase in fair value of investments	442,976
Less investment expenses	<u>(33,035)</u>
Net investment income	554,733
<b>Deductions - Benefit payments</b>	<u>454,410</u>
<b>Net Increase in Net Assets Held in Trust</b>	100,323
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>5,297,036</u>
End of year	<u><u>\$ 5,397,359</u></u>

# **Charter Township of Meridian, Ingham County, Michigan**

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## **Notes to Financial Statements December 31, 2006**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Meridian, Ingham County, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Meridian, Ingham County, Michigan:

#### **Reporting Entity**

The Charter Township of Meridian, Ingham County, Michigan is governed by an elected seven-member board. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

**Discretely Presented Component Unit** - The following component unit is reported within the component unit column in the combined financial statements. It is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township, so as to provide needed services and facilities of such enterprises to the residents of the Township. The Township board selects the Economic Development Corporation's governing body and can impose its will. The Economic Development Corporation's financial report can be obtained at the Township clerk's office.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

# **Charter Township of Meridian, Ingham County, Michigan**

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## **Notes to Financial Statements December 31, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 45/60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: 2006 property taxes, state-shared revenue, and interest associated with the current fiscal period. Conversely, 2007 property taxes and special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



# Charter Township of Meridian, Ingham County, Michigan

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## Notes to Financial Statements December 31, 2006

### Note I - Summary of Significant Accounting Policies (Continued)

Agency funds do not have a measurement focus, although they are reported using the modified accrual basis of accounting.

The Township reports the following major governmental funds:

**General Fund** - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Land Preservation Fund** - The Land Preservation Fund is used to account for tax revenue which will be used to purchase land and/or an interest in land for the permanent preservation of open green spaces and natural features throughout the Township.

The Township reports the following major proprietary funds:

**Water Fund** - The Water Fund is used to account for the provision of water services to the residents of the Township. Activities of the fund include administration, operating, maintenance, and billing and collection activities.

**Sewer Fund** - The Sewer Fund is used to account for the provision of sewer services to the residents of the Township. Activities of the fund include administration, operating, maintenance, and billing and collection activities.

Additionally, the Township reports the following fund types:

**Motor Pool Internal Service Fund** - The Motor Pool Fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the Township, or to other governments, primarily on a cost-reimbursement basis.

**Pension Trust Fund** - The Pension Trust Fund accounts for the assets of the government employees' pension plan.

**Tax Collection Fund** - The Tax Collection Fund accounts for assets held by the Township in a trustee capacity. Tax collection funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

# **Charter Township of Meridian, Ingham County, Michigan**

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## **Notes to Financial Statements December 31, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are billed on December 1 of the following year and are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

# **Charter Township of Meridian, Ingham County, Michigan**

## **Notes to Financial Statements December 31, 2006**

### **Note I - Summary of Significant Accounting Policies (Continued)**

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31. The 2005 taxable valuation of the Township totaled \$1,522,250,450, on which ad valorem taxes levied consisted of 4.2083 mills for the Township's operating purposes and 3.0489 mills for special voted millages.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bikepaths and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has elected not to implement the retroactive reporting of infrastructure provisions of GASB Statement No. 34.

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Water and sewer mains	10 to 50 years
Buildings and improvements	15 to 30 years
Vehicles	5 to 10 years
Furniture and equipment	5 to 7 years
Other tools and equipment	5 to 20 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off or employee is terminated).

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**State Construction Code Act** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2006		\$ (1,220,586)
Current year building permit revenue	\$ 410,445	
Related expenses:		
Direct costs	451,545	
Estimated indirect costs	<u>72,378</u>	
Total construction code expenses	<u>523,923</u>	
Net shortfall for the year ended December 31, 2006		<u>(113,478)</u>
Cumulative shortfall at December 31, 2006		<u>\$ (1,334,064)</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Township had the following significant budget overrun in the current year, due to classification of the expenditure.

	<u>Budget</u>	<u>Actual</u>
<b>Land Preservation Fund</b> - Debt service expenditures	\$ -	\$ 300,000

# **Charter Township of Meridian, Ingham County, Michigan**

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## **Notes to Financial Statements December 31, 2006**

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

The pension trust fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated 17 banks for the deposit of its funds. The investment policy adopted by the Township board in accordance with Public Act 196 of 1997 has authorized investments as allowed under state statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$22,003,935 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The component unit had \$32,435 of bank deposits that were uninsured and uncollateralized by federal depository insurance. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Type of Investment	Fair Value	Less than One			More than 10 Years
		Year	1-5 Years	6-10 Years	
U.S. government or agency bond or notes	\$ 4,245,035	\$ -	\$ 97,684	\$ 1,161,290	\$ 2,986,061
U.S. government or agency bond or notes/corporate bonds (pension)	874,702	64,716	406,239	111,812	291,935
Negotiable certificates of deposit	853,140	498,983	211,834	142,323	-
Money market funds (non 2a7 like)	114,740	114,740	-	-	-
Money market funds (2a7 like)	4,026,064	4,026,064	-	-	-

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
U.S. government or agency bond or note	\$ 4,245,035	AAA	S&P
U.S. government or agency bond or note (pension)	508,294	AAA	S&P
Mutual funds (pension)	187,034	Not rated	N/A
Money market funds	957,966	AAAm	S&P
Money market funds	2,632,303	AAA	S&P
Money market funds	550,535	Not rated	N/A
Corporate bonds (pension)	179,374	A-	S&P

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 4 - Receivables

Receivables as of year end for the Township's individual major funds and the aggregate of the nonmajor and fiduciary funds are as follows:

	General Fund	Land Preservation	Water	Sewer	Nonmajor and Other Funds	Total
Receivables:						
Taxes	\$ 5,131,598	\$ 651,099	\$ -	\$ -	\$ 859,558	\$ 6,642,255
Accounts	91,776	-	733,159	695,981	118,000	1,638,916
Special assessments	-	-	21,681	4,400	184,138	210,219
Interest and other	<u>53,641</u>	<u>4,750</u>	<u>2,151</u>	<u>1,671</u>	<u>29,462</u>	<u>91,675</u>
Total receivables	<u>\$ 5,277,015</u>	<u>\$ 655,849</u>	<u>\$ 756,991</u>	<u>\$ 702,052</u>	<u>\$ 1,191,158</u>	<u>\$ 8,583,065</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Property taxes	\$ -	\$ 12,065,019
Special assessments	184,138	-
Other	<u>-</u>	<u>19,800</u>
Total	<u>\$ 184,138</u>	<u>\$ 12,084,819</u>



# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 15,764,680	\$ 3,389,620	\$ -	\$ 19,154,300
Capital assets being depreciated:				
Buildings and improvements	7,604,818	130,933	-	7,735,751
Vehicles	2,620,461	231,355	(126,545)	2,725,271
Furniture and equipment	6,601,365	91,315	-	6,692,680
Subtotal	16,826,644	453,603	(126,545)	17,153,702
Accumulated depreciation:				
Buildings and improvements	2,824,996	205,487	-	3,030,483
Vehicles	1,598,332	347,477	(126,545)	1,819,264
Furniture and equipment	5,388,612	334,095	-	5,722,707
Subtotal	9,811,940	887,059	(126,545)	10,572,454
Net capital assets being depreciated	7,014,704	(433,456)	-	6,581,248
Net capital assets	<u>\$ 22,779,384</u>	<u>\$ 2,956,164</u>	<u>\$ -</u>	<u>\$ 25,735,548</u>

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Capital assets not being depreciated -				
Land	\$ 363,060	\$ -	\$ -	\$ 363,060
Capital assets being depreciated:				
Water and sewer mains	48,254,710	2,059,951	-	50,314,661
Buildings and improvements	3,980,935	-	-	3,980,935
Other tools and equipment	2,349,083	766,526	(353,742)	2,761,867
Subtotal	54,584,728	2,826,477	(353,742)	57,057,463
Accumulated depreciation:				
Water and sewer mains	17,153,014	1,023,751	-	18,176,765
Buildings and improvements	2,000,105	120,107	-	2,120,212
Other tools and equipment	1,573,377	109,170	(353,742)	1,328,805
Subtotal	20,726,496	1,253,028	(353,742)	21,625,782
Net capital assets being depreciated	33,858,232	1,573,449	-	35,431,681
Net capital assets	<u>\$ 34,221,292</u>	<u>\$ 1,573,449</u>	<u>\$ -</u>	<u>\$ 35,794,741</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 333,501
Public safety	144,132
Recreation and culture	46,040
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	363,387
Total governmental activities	<u>\$ 887,059</u>
Business-type activities:	
Water	\$ 680,997
Sewer	572,031
Total business-type activities	<u>\$ 1,253,028</u>

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due To/From Other Funds</b>		
General Fund	Sewer Fund	\$ 528
	Water Fund	528
	Total General Fund	1,056
Sewer Fund	Land Preservation Fund	423,909
	General Fund	8,500
	Total Sewer Fund	432,409
Water Fund	General Fund	12,500
Total		<u>\$ 445,965</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
<b>Interfund Transfers</b>		
General Fund	Sewer	\$ 55,000
	Nonmajor governmental funds	66,720
		121,720
Nonmajor governmental funds	Nonmajor governmental funds	65,000
Sewer Fund	Water Fund	400,000
Total		<u>\$ 586,720</u>

Transfers provided funding for capital acquisitions and debt services.

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. The majority of compensated absences are typically satisfied by the General Fund.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
Public Safety Buildings Bonds:							
Amount of issue - \$2,500,000							
Maturing through 2009	5.50%	\$250,000	\$ 750,000	\$ -	\$ -	\$ 750,000	\$ 250,000
Public Safety 1993 Refunding Bonds:							
Amount of issue - \$1,635,000							
Maturing through 2006	4.90%	\$195,000	195,000	-	(195,000)	-	-
Installment purchase agreements/land contracts:							
Okemos Road Land:							
Amount of issue - \$1,409,000		\$72,695 -					
Maturing through 2020	4.39%	\$122,394	1,375,313	-	(69,607)	1,305,706	72,695
Rysberg Land Contract:							
Amount of issue - \$793,120							
Maturing through 2007	0.00%	\$200,000	500,000	-	(300,000)	200,000	200,000
Library Building:							
Amount of issue - \$875,000		\$60,760 -					
Maturing through 2011	7.48%	\$115,006	559,287	-	(559,287)	-	-
Activity Center Building:							
Amount of issue - \$550,000		\$30,000 -					
Maturing through 2018	4.54%	\$49,000	495,000	-	(29,000)	466,000	30,000
Vactor Truck Lease (Internal Service Fund):							
Amount of issue - \$129,613							
Maturing through 2006	5.99%	\$29,023	29,023	-	(29,023)	-	-
Other long-term obligations -							
Compensated absences:							
General Fund			711,033	675,000	(632,239)	753,794	150,759
Internal Service Fund			7,945	9,000	(7,751)	9,194	1,839
Nonmajor and other funds			28,664	25,000	(22,924)	30,740	6,148
Total compensated absences			747,642	709,000	(662,914)	793,728	158,746
Total governmental activities			\$ 4,651,265	\$ 709,000	\$ (1,844,831)	\$ 3,515,434	\$ 711,441

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities - Water and Sewer</b>							
Installment purchase agreement:							
HVAC System:							
Amount of issue - \$729,860		\$56,335 -					
Maturing through 2008	4.24%	\$85,072	\$ 223,019	\$ -	\$ (81,591)	\$ 141,428	\$ 85,072
Other long-term obligations -							
Compensated absences:							
Water Fund			35,549	54,000	(49,437)	40,112	8,023
Sewer Fund			39,849	45,000	(47,313)	37,536	7,507
Total compensated absences			75,398	99,000	(96,750)	77,648	15,530
Total business-type activities			<u>\$ 298,417</u>	<u>\$ 99,000</u>	<u>\$ (178,341)</u>	<u>\$ 219,076</u>	<u>\$ 100,602</u>

Annual debt service requirements (excluding compensated absences) to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 552,695	\$ 112,048	\$ 664,743	\$ 85,072	\$ 5,997	\$ 91,069
2008	356,922	93,709	450,631	56,356	2,389	58,745
2009	362,289	75,185	437,474	-	-	-
2010	116,808	63,292	180,100	-	-	-
2011	122,482	57,776	180,258	-	-	-
2012-2016	699,488	203,238	902,726	-	-	-
2017-2020	511,022	43,801	554,823	-	-	-
Total	<u>\$ 2,721,706</u>	<u>\$ 649,049</u>	<u>\$ 3,370,755</u>	<u>\$ 141,428</u>	<u>\$ 8,386</u>	<u>\$ 149,814</u>

### Other Debt

From time to time, the Economic Development Corporation issues Limited Obligation Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed. The resulting debt of the developers is serviced directly by the financial institution. Neither the Township nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2006, there were three series of Limited Obligation Revenue Bonds outstanding, with an aggregate principal amount payable of \$17,355,000.

# **Charter Township of Meridian, Ingham County, Michigan**

## **Notes to Financial Statements December 31, 2006**

### **Note 8 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal Liability and Property Pool (risk pool) for claims relating to property loss, torts, and errors and omissions; the Township participates in the Michigan Municipal Workers' Compensation Fund (risk pool) for claims relating to employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 9 - Defined Benefit Pension Plan**

#### **Charter Township of Meridian Employees' Retirement System**

**Plan Description** - The Township contributes to the Meridian Township Employees' Pension Plan, which is the administrator of a single-employer public employees retirement system that covers all full-time employees of the Township, excluding those included in MERS and the defined contribution plan. The plan is closed to any new employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. For the plan year beginning January 1, 2007, the date of the most recent actuarial valuation, membership consisted of 78 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and two current active employees. The plan does not issue a separate financial report.

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

There is no obligation to contribute to the system. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 9 - Defined Benefit Pension Plan (Continued)

**Annual Pension Cost** - For the year ended December 31, 2006, the Township's annual pension cost of \$0 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation for the plan year beginning January 1, 2007, using the entry actual age cost method. Significant actuarial assumptions used include a 7.0 percent investment rate of return, 4.5 percent salary increases, and an inflation component. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is five years.

Fiscal year ended December 31:	2006	2005	2004
Annual pension cost	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Actuarial valuation as of January 1:	2007	2006	2005
Actuarial value of assets	\$ 5,129,680	\$ 5,047,273	\$ 5,236,388
Actuarial accrued liability (entry age)	5,034,259	5,042,765	5,104,160
(Overfunded) unfunded AAL	(95,421)	(4,508)	(132,228)
Funded ratio	102%	100%	103%
Covered payroll	129,245	125,956	165,434
UAAL as a percentage of covered payroll	(73.8%)	(3.6%)	(79.9%)
Annual required contribution	-	7,026	-

### Michigan Municipal Employees' Retirement System

**Plan Description** - The Township participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all public works (American Federation of State, County, and Municipal Employees (AFSCME)), the police nonsupervisory, clerical unit, police supervisory employees, firefighters, and Teamsters employees of the Township. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

# Charter Township of Meridian, Ingham County, Michigan

## Notes to Financial Statements December 31, 2006

### Note 9 - Defined Benefit Pension Plan (Continued)

**Funding Policy** - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 0 percent to 7.76 percent of gross wages for the various groups.

**Annual Pension Cost** - For the year ended December 31, 2006, the Township's annual pension cost of \$1,280,652 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit, and (d) no postretirement benefit increases. Both (a) and (b) include an inflation assumption of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Fiscal year ended December 31:	2006	2005	2004
Annual pension cost	\$ 1,280,652	\$ 1,201,128	\$ 1,072,747
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
Actuarial valuation as of December 31:	2005	2004	2003
Actuarial value of assets	\$ 16,753,818	\$ 15,095,171	\$ 13,321,401
Actuarial accrued liability (AAL) (entry age)	32,944,186	29,239,691	25,405,098
Unfunded AAL (UAAL)	16,190,368	14,144,520	12,083,697
Funded ratio	51%	52%	52%
Covered payroll	6,531,790	6,248,485	6,230,105
UAAL as a percentage of covered payroll	247.9%	226.4%	194.0%



# **Charter Township of Meridian, Ingham County, Michigan**

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## **Notes to Financial Statements December 31, 2006**

### **Note 10 - Defined Contribution Pension Plan**

#### **Meridian Charter Township Money Purchase Plan**

The Township provides pension benefits to its nonunion, professional supervisory, and professional nonsupervisory employees through a defined contribution plan which is administered by an outside party. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan provisions and contribution requirements were established through negotiation with the Township's competitive bargaining units. The Township contributes 3 percent to 8.5 percent of employees' gross earnings.

In accordance with these requirements, the Township contributed \$194,005 during the current year and employees contributed \$79,898.

### **Note 11 - Postemployment Benefits**

The Township provides health care benefits to police officers and firefighters upon retirement, in accordance with labor contracts. Currently, 19 retirees are eligible. The Township includes pre-Medicare and post-Medicare retirees and their dependents in its insured health care plan, with a 50 percent contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to \$97,195.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

# **Charter Township of Meridian, Ingham County, Michigan**

## **Notes to Financial Statements December 31, 2006**

### **Note 12 - Joint Venture**

#### **East Lansing - Meridian Water and Sewer Authority**

The Township is a member of the East Lansing - Meridian Water and Sewer Authority, which provides water services to the residents of the City of East Lansing and the Charter Township of Meridian. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$1,598,063 for its operations and debt. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township appoints three members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture is obtained from audited financial statements as of June 30, 2006. Complete financial statements for the East Lansing - Meridian Water and Sewer Authority can be obtained from the administrative offices at 410 Abbott Road, East Lansing, Michigan.

Total assets	\$ 7,835,819
Total liabilities	396,364
Total net assets	7,439,455
Total operating revenue	2,510,967
Total operating expenses	2,655,356
Decrease in net assets	(565,839)

The contract between the Charter Township of Meridian and the Authority provides that the Township will pay to the Authority amounts sufficient to fund the principal and interest requirements on certain bond issues. The outstanding balance of these bonds was paid in full as of December 31, 2005.

The Township's equity in this joint venture as of December 31, 2006 is \$4,588,936, which is recorded in the Water Fund.

### **Note 13 - Commitments**

At December 31, 2006, the Township has a commitment to the City of East Lansing relating to the Township's portion of principal and interest on two sewage disposal system bonds issued by the City during 2001, totaling \$1,698,901, maturing through 2016.

### **Note 14 - Litigation**

At December 31, 2006, the Township is a defendant in various lawsuits filed by taxpayers. Outside counsel for the Township has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome.

## **Required Supplemental Information**

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# Charter Township of Meridian, Ingham County, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance - Beginning of year</b>	\$ 4,639,405	\$ 4,639,405	\$ 4,639,405	\$ -
<b>Resources (Inflows)</b>				
Property taxes	9,211,600	9,211,600	9,215,501	3,901
Licenses and permits	402,500	402,500	416,095	13,595
Intergovernmental	3,182,000	3,207,000	3,111,902	(95,098)
Charges for services	2,575,800	2,717,600	2,743,443	25,843
Interest income	350,000	400,000	480,197	80,197
Other	356,400	321,580	438,261	116,681
Transfer from other funds	60,000	-	-	-
Total resources (inflows)	16,138,300	16,260,280	16,405,399	145,119
<b>Charges to Appropriations (Outflows)</b>				
General government	4,627,870	4,565,740	4,290,876	274,864
Legislative	136,880	136,880	101,550	35,330
Public safety	10,072,320	9,982,440	9,963,790	18,650
Public works	193,520	191,300	146,694	44,606
Health and welfare	71,330	71,330	67,131	4,199
Recreation and culture	545,870	602,240	540,634	61,606
Capital outlay	178,600	332,000	160,889	171,111
Debt service	177,690	662,590	662,093	497
Transfers to other funds	121,720	121,720	121,720	-
Total charges to appropriations (outflows)	16,125,800	16,666,240	16,055,377	610,863
<b>Fund Balance - End of year</b>	<b>\$ 4,651,905</b>	<b>\$ 4,233,445</b>	<b>\$ 4,989,427</b>	<b>\$ 755,982</b>

Fund balance is equivalent to approximately 3.8 months of actual expenditures.

# Charter Township of Meridian, Ingham County, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Land Preservation Fund Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance</b> - Beginning of year	\$ 3,452,166	\$ 3,452,166	\$ 3,452,166	\$ -
<b>Resources (Inflows)</b>				
Property taxes	1,109,600	1,109,600	1,109,564	(36)
Investment income	35,000	35,000	104,286	69,286
Other	-	7,300	12,015	4,715
Total resources (inflows)	1,144,600	1,151,900	1,225,865	73,965
<b>Charges to Appropriations (Outflows)</b>				
Recreation and culture	26,160	27,560	31,585	(4,025)
Capital outlay	892,200	3,119,200	2,820,809	298,391
Debt service	-	-	300,000	(300,000)
Total charges to appropriations (outflows)	918,360	3,146,760	3,152,394	(5,634)
<b>Fund Balance</b> - End of year	<u><u>\$ 3,678,406</u></u>	<u><u>\$ 1,457,306</u></u>	<u><u>\$ 1,525,637</u></u>	<u><u>\$ 68,331</u></u>

# Charter Township of Meridian, Ingham County, Michigan

## Required Supplemental Information Defined Benefit Pension Plan Schedule of Funding Progress Charter Township of Meridian Employees' Retirement System December 31, 2006

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/00	\$ 7,618,038	\$ 5,913,886	\$ (1,704,152)	128.8	\$ 227,915	(748)
12/31/01	7,092,142	5,591,439	(1,500,703)	126.8	143,349	(1,047)
1/1/03	6,095,183	5,599,052	(496,131)	108.9	118,912	(417)
1/1/04	5,533,161	4,917,511	(615,650)	112.5	120,211	(512)
1/1/05	5,236,388	5,104,160	(132,228)	102.6	165,434	(80)
1/1/06	5,047,273	5,042,765	(4,508)	100.1	125,956	(4)
1/1/07	5,129,680	5,034,259	(95,421)	101.9	129,245	(74)

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
12/31/00	12/31/00	\$ -	100.0
12/31/01	12/31/01	-	100.0
12/31/02	1/1/03	-	100.0
12/31/03	1/1/04	-	100.0
12/31/04	1/1/05	-	100.0
12/31/05	1/1/06	7,026	100.0
12/31/06	1/1/07	-	100.0

\* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2007, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Amortization period (perpetual)	5 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

# **Charter Township of Meridian, Ingham County, Michigan**

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## **Note to Required Supplemental Information December 31, 2006**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The Township adopts a formal budget for the General Fund, Special Revenue Fund Type, and Debt Service Fund Type. By mid-June of each year, all department heads submit spending requests to the director of finance so that a budget may be prepared. Before September 1, the proposed budget is submitted by the Township manager to the Township board for review. Public hearings are held, and a final budget is adopted no later than November 1. The Township manager has authority to amend the budget up to \$1,500. Any budget amendments greater than \$1,500 must be approved by the Township board. During the year, the budget was amended in a legally permissible manner.

The budget is adopted on a functional basis. Although spending estimates are produced for each line item, budgetary control is exercised at the department level for internal control purposes. Expenditures at the functional level in excess of budget appropriation are a violation of Michigan law. The Land Preservation Fund capital outlay and debt service expenses exceed budget due to the recording of a land contract purchase. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at December 31, 2006 is not significant. Unexpended appropriations lapse at year end.

The budget statement (combined statement of revenue, expenditures, and changes in fund balances - budget and actual - General, Special Revenue, and Debt Service Fund types) is presented on the same basis of accounting used in preparing the adopted budget.

A comparison of actual results of operations to all budgets shown in the other supplemental information sections is for management analysis and is more detailed than the adopted budget on a functional basis.

## **Other Supplemental Information**

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## **Nonmajor Governmental Funds**

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*Pedestrian/Bike Path Millage Fund* - This fund is used to account for the design and construction of the Township's millage-supported pedestrian/bicycle pathway system.

*Park Millage Fund* - This fund is used to account for tax revenue and donations that are used to beautify and maintain the various parks.

*Fire Restricted/Designated Fund* - This fund is used to account for donations that are restricted and designated for fire-related activities.

*Police Restricted/Designated Fund* - This fund is used to account for donations, forfeitures, and State of Michigan funds that are specifically used to aid law enforcement.

*Cable TV Fund* - This fund is used to account for the operations of a government access channel, which provides news and information about Meridian Township's government activities, and the community it serves. Funds for operations are derived from cable franchise fees.

*Township Improvement Revolving Fund* - This fund is used to account for advances from the General Fund and reimbursements from special assessments for specific public improvements.

*Community Needs Fund* - This fund is used to account for donations that provide emergency funds to needy Township residents.

*Grants Fund* - This fund is used to account for various federal grant awards.

*CATA Millage Fund* - This fund is used to account for tax revenue that supports increased public transportation.

*Public Safety Buildings Fund* - This fund accounts for general obligation bonds that were issued to defray the cost of public safety buildings.

*Property Acquisition Fund* - This fund accounts for a land contract that was entered into to purchase a parcel of land. The debt payments will be funded by the General Fund.

# Charter Township of Meridian, Ingham County, Michigan

	Special Revenue Funds					
	Pedestrian/ Bike Path Millage	Park Millage	Fire Restricted/ Designated	Police Restricted/ Designated	Cable TV	Township Improvement Revolving
<b>Assets</b>						
Cash and investments	\$ 564,845	\$ 847,131	\$ 30,314	\$ 67,999	\$ 74,384	\$ 1,211,933
Receivables - Net	247,080	282,306	-	-	118,000	184,138
Prepaid costs	-	-	-	-	1,575	-
Total assets	<u>\$ 811,925</u>	<u>\$ 1,129,437</u>	<u>\$ 30,314</u>	<u>\$ 67,999</u>	<u>\$ 193,959</u>	<u>\$ 1,396,071</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 158	\$ 13,305	\$ -	\$ -	\$ 3,224	\$ 785
Accrued and other liabilities	2,010	5,075	-	-	4,455	-
Due to other governmental units	-	-	-	-	-	-
Deferred revenue	442,761	505,886	-	-	-	184,138
Total liabilities	444,929	524,266	-	-	7,679	184,923
<b>Fund Balances</b>						
Reserved for prepaid costs	-	-	-	-	1,575	-
Unreserved:						
Special Revenue Funds	366,996	605,171	30,314	67,999	184,705	1,211,148
Designated for CATA Millage	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-
Total fund balances	<u>366,996</u>	<u>605,171</u>	<u>30,314</u>	<u>67,999</u>	<u>186,280</u>	<u>1,211,148</u>
Total liabilities and fund balances	<u>\$ 811,925</u>	<u>\$ 1,129,437</u>	<u>\$ 30,314</u>	<u>\$ 67,999</u>	<u>\$ 193,959</u>	<u>\$ 1,396,071</u>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2006**

Special Revenue Funds			Debt Service Funds		Total Nonmajor Governmental Funds
Community Needs	Grants	CATA Millage	Public Safety Buildings	Property Acquisition	
\$ 10,550	\$ 56,399	\$ 147,965	\$ 161,909	\$ 9	\$ 3,173,438
-	29,462	172,801	157,371	-	1,191,158
-	-	-	-	-	1,575
<b>\$ 10,550</b>	<b>\$ 85,861</b>	<b>\$ 320,766</b>	<b>\$ 319,280</b>	<b>\$ 9</b>	<b>\$ 4,366,171</b>
\$ 1,039	\$ -	\$ -	\$ -	\$ -	\$ 18,511
-	-	-	-	-	11,540
-	46,410	-	-	-	46,410
-	-	309,654	282,079	-	1,724,518
1,039	46,410	309,654	282,079	-	1,800,979
-	-	-	-	-	1,575
9,511	39,451	-	-	-	2,515,295
-	-	11,112	-	-	11,112
-	-	-	37,201	9	37,210
9,511	39,451	11,112	37,201	9	2,565,192
<b>\$ 10,550</b>	<b>\$ 85,861</b>	<b>\$ 320,766</b>	<b>\$ 319,280</b>	<b>\$ 9</b>	<b>\$ 4,366,171</b>

# Charter Township of Meridian, Ingham County, Michigan

	Special Revenue Funds					
	Pedestrian/ Bike Path Millage	Park Millage	Fire Restricted/ Designated	Police Restricted/ Designated	Cable TV	Township Improvement Revolving
<b>Revenue</b>						
Property taxes	\$ 419,480	\$ 480,126	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	-	-	-	9,983	-	-
Special assessments	-	-	-	-	-	111,930
Charges for services	-	35,311	-	-	453,070	-
Interest income	26,128	27,971	1,373	4,600	5,658	63,218
Other	16,504	37,269	9,658	27,884	2,081	-
Total revenue	462,112	580,677	11,031	42,467	460,809	175,148
<b>Expenditures</b>						
Current:						
Public safety	-	-	5,796	66,763	-	-
Public works	148,647	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Recreation and cultural	-	395,163	-	-	400,235	-
Capital outlay	331,473	248,315	-	-	36,786	60,280
Debt service	-	-	-	-	-	-
Total expenditures	480,120	643,478	5,796	66,763	437,021	60,280
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	(18,008)	(62,801)	5,235	(24,296)	23,788	114,868
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(65,000)
Total other financing sources (uses)	-	-	-	-	-	(65,000)
<b>Net Change in Fund Balances</b>	(18,008)	(62,801)	5,235	(24,296)	23,788	49,868
<b>Fund Balances - Beginning of year</b>	385,004	667,972	25,079	92,295	162,492	1,161,280
<b>Fund Balances - End of year</b>	<b>\$ 366,996</b>	<b>\$ 605,171</b>	<b>\$ 30,314</b>	<b>\$ 67,999</b>	<b>\$ 186,280</b>	<b>\$ 1,211,148</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2006**

Special Revenue Funds			Debt Service Funds		Total Nonmajor
Community Needs	Grants	CATA Millage	Public Safety Buildings	Property Acquisition	Governmental Funds
\$ -	\$ -	\$ 293,912	\$ 268,048	\$ -	\$ 1,461,566
-	16,531	-	-	-	16,531
-	-	-	-	-	9,983
-	-	-	-	-	111,930
-	-	-	-	-	488,381
514	2,380	-	-	-	131,842
9,884	-	-	-	-	103,280
10,398	18,911	293,912	268,048	-	2,323,513
-	42,457	-	-	-	115,016
-	-	-	-	-	148,647
9,099	-	-	-	-	9,099
-	-	283,000	-	-	1,078,398
-	2,000	-	-	-	678,854
-	-	-	241,645	129,212	370,857
9,099	44,457	283,000	241,645	129,212	2,400,871
1,299	(25,546)	10,912	26,403	(129,212)	(77,358)
-	2,500	-	-	129,220	131,720
-	-	-	-	-	(65,000)
-	2,500	-	-	129,220	66,720
1,299	(23,046)	10,912	26,403	8	(10,638)
8,212	62,497	200	10,798	1	2,575,830
<u>\$ 9,511</u>	<u>\$ 39,451</u>	<u>\$ 11,112</u>	<u>\$ 37,201</u>	<u>\$ 9</u>	<u>\$ 2,565,192</u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Pedestrian/Bike Path Millage Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance - Beginning of year</b>	\$ 385,004	\$ 385,004	\$ 385,004	\$ -
<b>Resources (Inflows)</b>				
Property taxes	420,300	420,300	419,480	(820)
Investment income	10,000	18,000	26,128	8,128
Other	-	-	16,504	16,504
Total resources (inflows)	430,300	438,300	462,112	23,812
<b>Charges to Appropriations (Outflows)</b>				
Public works	174,000	174,000	148,647	25,353
Capital outlay	256,300	395,150	331,473	63,677
Total charges to appropriations (outflows)	430,300	569,150	480,120	89,030
<b>Fund Balance - End of year</b>	<b><u>\$ 385,004</u></b>	<b><u>\$ 254,154</u></b>	<b><u>\$ 366,996</u></b>	<b><u>\$ 112,842</u></b>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Park Millage Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance - Beginning of year</b>	\$ 667,972	\$ 667,972	\$ 667,972	\$ -
<b>Resources (Inflows)</b>				
Property taxes	481,200	481,200	480,126	(1,074)
Charges for services	34,000	34,000	35,311	1,311
Investment income	9,120	9,120	27,971	18,851
Other	14,000	31,650	37,269	5,619
Total resources (inflows)	538,320	555,970	580,677	24,707
<b>Charges to Appropriations (Outflows)</b>				
Recreation and culture	414,500	473,790	395,163	78,627
Capital outlay	96,600	551,600	248,315	303,285
Total charges to appropriations (outflows)	511,100	1,025,390	643,478	381,912
<b>Fund Balance - End of year</b>	<u>\$ 695,192</u>	<u>\$ 198,552</u>	<u>\$ 605,171</u>	<u>\$ 406,619</u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Fire Restricted/Designated Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance</b> - Beginning of year	\$ 25,079	\$ 25,079	\$ 25,079	\$ -
<b>Resources (Inflows)</b>				
Investment income	200	200	1,373	1,173
Other	<u>2,000</u>	<u>2,000</u>	<u>9,658</u>	<u>7,658</u>
Total resources (inflows)	2,200	2,200	11,031	8,831
<b>Charges to Appropriations (Outflows) -</b>				
Public safety	<u>2,200</u>	<u>6,300</u>	<u>5,796</u>	<u>504</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 25,079</u></u>	<u><u>\$ 20,979</u></u>	<u><u>\$ 30,314</u></u>	<u><u>\$ 9,335</u></u>



# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Police Restricted/Designated Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance</b> - Beginning of year	\$ 92,295	\$ 92,295	\$ 92,295	\$ -
<b>Resources (Inflows)</b>				
State sources	10,000	10,000	9,983	(17)
Investment income	500	500	4,600	4,100
Other	6,000	30,090	27,884	(2,206)
Total resources (inflows)	16,500	40,590	42,467	1,877
<b>Charges to Appropriations (Outflows) -</b>				
Public safety	27,390	78,420	66,763	11,657
<b>Fund Balance</b> - End of year	<u>\$ 81,405</u>	<u>\$ 54,465</u>	<u>\$ 67,999</u>	<u>\$ 13,534</u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Cable TV Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance - Beginning of year</b>	\$ 162,492	\$ 162,492	\$ 162,492	\$ -
<b>Resources (Inflows)</b>				
Investment income	1,800	1,800	5,658	3,858
Charges for services	405,700	423,800	455,151	31,351
Total resources (inflows)	407,500	425,600	460,809	35,209
<b>Charges to Appropriations (Outflows)</b>				
Other	393,500	405,100	400,235	4,865
Capital outlay	14,000	44,720	36,786	7,934
Total charges to appropriations (outflows)	407,500	449,820	437,021	12,799
<b>Fund Balance - End of year</b>	<b>\$ 162,492</b>	<b>\$ 138,272</b>	<b>\$ 186,280</b>	<b>\$ 48,008</b>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Township Improvement Revolving Fund Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance - Beginning of year</b>	\$ 1,161,280	\$ 1,161,280	\$ 1,161,280	\$ -
<b>Resources (Inflows)</b>				
Special assessments	100,000	100,000	111,930	11,930
Investment income	30,000	30,000	63,218	33,218
Total resources (inflows)	130,000	130,000	175,148	45,148
<b>Charges to Appropriations (Outflows)</b>				
Capital outlay	125,000	129,430	60,280	69,150
Transfers to other funds	125,000	65,000	65,000	-
Total charges to appropriations (outflows)	250,000	194,430	125,280	69,150
<b>Fund Balance - End of year</b>	<u><u>\$ 1,041,280</u></u>	<u><u>\$ 1,096,850</u></u>	<u><u>\$ 1,211,148</u></u>	<u><u>\$ 114,298</u></u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Community Needs Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance</b> - Beginning of year	\$ 8,212	\$ 8,212	\$ 8,212	\$ -
<b>Resources (Inflows)</b>				
Investment income	100	100	514	414
Other	<u>8,500</u>	<u>8,500</u>	<u>9,884</u>	<u>1,384</u>
Total resources (inflows)	8,600	8,600	10,398	1,798
<b>Charges to Appropriations (Outflows) -</b>				
Health and welfare	<u>8,600</u>	<u>8,600</u>	<u>9,099</u>	<u>(499)</u>
<b>Fund Balance</b> - End of year	<u>\$ 8,212</u>	<u>\$ 8,212</u>	<u>\$ 9,511</u>	<u>\$ 1,299</u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Grants Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance - Beginning of year</b>	\$ 62,497	\$ 62,497	\$ 62,497	\$ -
<b>Resources (Inflows)</b>				
Federal sources	92,000	92,000	16,531	(75,469)
Investment income	500	500	2,380	1,880
Transfers from other funds	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total resources (inflows)	95,000	95,000	21,411	(73,589)
<b>Charges to Appropriations (Outflows)</b>				
Public safety	117,500	118,500	42,457	76,043
Capital outlay	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>117,500</u>	<u>120,500</u>	<u>44,457</u>	<u>76,043</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 39,997</u></u>	<u><u>\$ 36,997</u></u>	<u><u>\$ 39,451</u></u>	<u><u>\$ 2,454</u></u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - CATA Millage Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance</b> - Beginning of year	\$ 200	\$ 200	\$ 200	\$ -
<b>Resources (Inflows)</b> - Property taxes	294,600	294,600	293,912	(688)
<b>Charges to Appropriations (Outflows)</b> - Recreation and culture	<u>294,600</u>	<u>294,600</u>	<u>283,000</u>	<u>11,600</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 200</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 11,112</u></u>	<u><u>\$ 10,912</u></u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Debt Service Fund - Public Safety Buildings Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance</b> - Beginning of year	\$ 10,798	\$ 10,798	\$ 10,798	\$ -
<b>Resources (Inflows)</b>				
Property taxes	268,000	268,000	268,048	48
Investment income	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total resources (inflows)	268,500	268,500	268,048	(452)
<b>Charges to Appropriations (Outflows) -</b>				
Debt service	<u>241,530</u>	<u>241,530</u>	<u>241,645</u>	<u>(115)</u>
<b>Fund Balance</b> - End of year	<u><b>\$ 37,768</b></u>	<u><b>\$ 37,768</b></u>	<u><b>\$ 37,201</b></u>	<u><b>\$ (567)</b></u>

# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Debt Service Fund - Property Acquisition Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Fund Balance</b> - Beginning of year	\$ 1	\$ 1	\$ 1	\$ -
<b>Resources (Inflows)</b> - Transfers from other funds	<u>129,220</u>	<u>129,220</u>	<u>129,220</u>	<u>-</u>
<b>Charges to Appropriations (Outflows)</b> - Debt service	<u>129,220</u>	<u>129,220</u>	<u>129,212</u>	<u>8</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 9</u></u>	<u><u>\$ 8</u></u>



# Charter Township of Meridian, Ingham County, Michigan

## Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Fund Year Ended December 31, 2006

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<b>Assets - Cash</b>	<b><u>\$ 3,943,403</u></b>	<b><u>\$ 65,003,821</u></b>	<b><u>\$ (63,444,915)</u></b>	<b><u>\$ 5,502,309</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 2,959	\$ 1,141	\$ (282)	\$ 3,818
Due to other governmental units	<u>3,940,444</u>	<u>67,681,490</u>	<u>(66,123,443)</u>	<u>5,498,491</u>
Total liabilities	<b><u>\$ 3,943,403</u></b>	<b><u>\$ 67,682,631</u></b>	<b><u>\$ (66,123,725)</u></b>	<b><u>\$ 5,502,309</u></b>

## Statistical Section

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This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the Township's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Township implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

## **Financial Trends**

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These schedules contain trend information to help the reader understand how the Township's financial performance and well-being have changed over time.

# Charter Township of Meridian, Ingham County, Michigan

## Financial Trend Information Net Assets by Component Last Four Fiscal Years

	December 31			
	2003	2004	2005	2006
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 16,231	\$ 17,104	\$ 18,876	\$ 23,014
Restricted	2,930	3,542	3,463	1,563
Unrestricted	5,189	6,062	7,148	7,520
Total net assets	<u>\$ 24,350</u>	<u>\$ 26,708</u>	<u>\$ 29,487</u>	<u>\$ 32,097</u>
<b>Business-type Activities</b>				
Invested in capital assets, net of related debt	\$ 29,848	\$ 29,970	\$ 33,998	\$ 35,653
Unrestricted	12,099	12,555	12,476	12,255
Total net assets	<u>\$ 41,947</u>	<u>\$ 42,525</u>	<u>\$ 46,474</u>	<u>\$ 47,908</u>
<b>Primary Government in Total</b>				
Invested in capital assets, net of related debt	\$ 46,079	\$ 47,074	\$ 52,874	\$ 58,667
Restricted	2,930	3,542	3,463	1,563
Unrestricted	17,288	18,617	19,624	19,775
Total net assets	<u>\$ 66,297</u>	<u>\$ 69,233</u>	<u>\$ 75,961</u>	<u>\$ 80,005</u>

See independent auditor's disclaimer on the statistical section information.

# Charter Township of Meridian, Ingham County, Michigan

## Financial Trend Information Changes in Governmental Net Assets Last Four Fiscal Years

	Fiscal Year Ended December 31			
	2003	2004	2005	2006
<b>Expenses</b>				
General government	\$ 4,427	\$ 3,489	\$ 3,738	\$ 3,920
Public safety	9,578	10,316	10,211	10,999
Public works	1,192	462	377	348
Health and welfare	57	66	70	76
Recreation and culture	1,456	1,614	1,700	1,852
Interest on long-term debt	140	175	260	182
Total governmental activities expenses	16,850	16,122	16,356	17,377
<b>Program Revenues</b>				
Charges for services:				
General government	210	175	185	208
Public safety	2,443	2,422	2,447	2,843
Public works	949	47	73	143
Recreation and culture	212	234	268	320
Total charges for services	3,814	2,878	2,973	3,514
Operating grants and contributions	41	67	140	76
Capital grants and contributions	719	856	444	-
Total program revenues	4,574	3,801	3,557	3,590
<b>Excess of Expenses over Revenues</b>	(12,276)	(12,321)	(12,799)	(13,787)
<b>General Revenues</b>				
Property taxes	10,373	10,725	11,295	11,787
State-shared revenues	3,283	3,040	3,066	3,010
Investment earnings	235	180	490	747
Franchise fees	457	509	537	602
Miscellaneous	300	277	244	306
Total general revenues	14,648	14,731	15,632	16,452
<b>Transfers</b>	(55)	(52)	(55)	(55)
<b>Change in Net Assets</b>	<u>\$ 2,317</u>	<u>\$ 2,358</u>	<u>\$ 2,778</u>	<u>\$ 2,610</u>

See independent auditor's disclaimer on the statistical section information.

# Charter Township of Meridian, Ingham County, Michigan

## Financial Trend Information Changes in Business-type Net Assets Last Four Fiscal Years

	Fiscal Year Ended December 31			
	2003	2004	2005	2006
<b>Operating Revenue</b>				
Sale of water	\$ 3,339	\$ 3,291	\$ 3,625	\$ 3,433
Sewage disposal charges	2,888	2,945	3,027	2,943
Charges for services	1,023	770	1,244	1,041
Other	69	127	61	119
Total operating revenue	7,319	7,133	7,957	7,536
<b>Operating Expenses</b>				
Cost of water produced/purchased	1,596	1,623	1,426	1,598
Cost of sewage treatment	1,598	1,491	1,407	1,475
Other operation and maintenance costs	2,025	1,863	1,856	1,952
Billing and administrative costs	554	927	1,001	1,045
Depreciation	1,067	1,101	1,216	1,253
Total operating expenses	6,840	7,005	6,906	7,323
<b>Operating Income</b>	479	128	1,051	213
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	35	102	175	253
Income from joint venture	(182)	(136)	(490)	(316)
Interest expense	(19)	(16)	(13)	(10)
Total nonoperating expenses	(166)	(50)	(328)	(73)
<b>Income - Before contributions and transfers</b>	313	78	723	140
<b>Capital Contributions</b>	1,698	447	3,172	1,239
<b>Transfers from Other Funds</b>	55	52	55	455
<b>Transfers to Other funds</b>	-	-	-	(400)
<b>Change in Net Assets</b>	<u>\$ 2,066</u>	<u>\$ 577</u>	<u>\$ 3,950</u>	<u>\$ 1,434</u>

See independent auditor's disclaimer on the statistical section information.

# Charter Township of Meridian, Ingham County, Michigan

## Financial Trend Information Fund Balances - Governmental Funds Last Ten Fiscal Years

	As of December 31									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102	\$ 115	\$ 108	\$ 3
Unreserved - Undesignated	2,196	3,249	3,178	4,347	4,507	4,772	3,880	3,703	4,532	4,986
Total General Fund	<u>\$ 2,196</u>	<u>\$ 3,249</u>	<u>\$ 3,178</u>	<u>\$ 4,347</u>	<u>\$ 4,507</u>	<u>\$ 4,772</u>	<u>\$ 3,982</u>	<u>\$ 3,818</u>	<u>\$ 4,640</u>	<u>\$ 4,989</u>
All other governmental funds -										
Unreserved and undesignated,										
reported in:										
Special Revenue Funds	\$ 1,701	\$ 1,853	\$ 1,987	\$ 2,065	\$ 3,028	\$ 4,267	\$ 4,894	\$ 5,697	\$ 6,017	\$ 4,054
Capital Project Funds	3,790	4,258	3,504	2,803	2,733	-	-	-	-	-
Debt Service Funds	315	257	347	247	291	196	102	51	11	37
Total all other governmental										
funds	<u>\$ 5,806</u>	<u>\$ 6,368</u>	<u>\$ 5,838</u>	<u>\$ 5,115</u>	<u>\$ 6,052</u>	<u>\$ 4,463</u>	<u>\$ 4,996</u>	<u>\$ 5,748</u>	<u>\$ 6,028</u>	<u>\$ 4,091</u>

See independent auditor's disclaimer on the statistical section information.

# Charter Township of Meridian, Ingham County, Michigan

## Financial Trend Information Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years

	Year Ended December 31									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Property taxes	\$ 6,607	\$ 6,873	\$ 7,394	\$ 8,026	\$ 9,046	\$ 9,660	\$ 10,373	\$ 10,733	\$ 11,294	\$ 11,787
Licenses and permits	272	296	269	415	415	310	303	311	352	416
Intergovernmental revenues	2,970	3,062	3,316	3,633	4,005	3,682	3,790	3,239	3,281	3,138
Special assessments	226	333	279	208	455	345	325	259	107	112
Charges for services	1,531	1,530	1,635	1,783	1,836	2,059	2,262	2,676	2,866	3,232
Interest	448	601	323	875	780	565	234	180	489	716
Other	296	569	345	401	486	571	519	1,218	405	554
<b>Total revenue</b>	<b>12,350</b>	<b>13,264</b>	<b>13,561</b>	<b>15,341</b>	<b>17,023</b>	<b>17,192</b>	<b>17,806</b>	<b>18,616</b>	<b>18,794</b>	<b>19,955</b>
<b>Expenditures - Current</b>										
General government	3,247	3,330	3,484	3,587	3,851	4,066	4,087	4,202	4,182	4,392
Public safety	6,348	6,744	7,789	7,803	8,391	8,597	8,871	9,183	9,328	10,079
Public works	123	493	338	500	757	279	1,126	350	287	295
Health and welfare	47	45	44	50	62	70	57	66	69	76
Recreation and culture	463	541	859	1,084	1,177	1,286	1,363	1,472	1,539	1,651
Capital outlay	1,014	301	119	465	1,659	850	2,378	2,138	3,643	3,661
Debt service	715	664	705	640	776	711	676	565	799	1,333
<b>Total expenditures</b>	<b>11,957</b>	<b>12,118</b>	<b>13,338</b>	<b>14,129</b>	<b>16,673</b>	<b>15,859</b>	<b>18,558</b>	<b>17,976</b>	<b>19,847</b>	<b>21,487</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>393</b>	<b>1,146</b>	<b>223</b>	<b>1,212</b>	<b>350</b>	<b>1,333</b>	<b>(752)</b>	<b>640</b>	<b>(1,053)</b>	<b>(1,532)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from issuance of long-term debt	-	-	-	-	875	-	550	-	2,209	-
Transfers in	89	89	346	114	116	430	531	27	106	132
Transfers out	(114)	(89)	(418)	(178)	(215)	(492)	(586)	(79)	(161)	(187)
<b>Total other financing sources (uses)</b>	<b>(25)</b>	<b>-</b>	<b>(72)</b>	<b>(64)</b>	<b>776</b>	<b>(62)</b>	<b>495</b>	<b>(52)</b>	<b>2,154</b>	<b>(55)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 368</b>	<b>\$ 1,146</b>	<b>\$ 151</b>	<b>\$ 1,148</b>	<b>\$ 1,126</b>	<b>\$ 1,271</b>	<b>\$ (257)</b>	<b>\$ 588</b>	<b>\$ 1,101</b>	<b>\$ (1,587)</b>
 Debt service as a percentage of noncapital expenditures	 6.99%	 5.95%	 5.63%	 4.91%	 5.45%	 4.97%	 4.36%	 3.70%	 5.19%	 8.08%
 Capital outlay as a percentage of total expenditures	 8.48%	 2.48%	 0.89%	 3.29%	 9.95%	 5.36%	 12.81%	 11.89%	 18.36%	 17.04%

See independent auditor's disclaimer on the statistical section information.



## **Revenue Capacity**

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These schedules contain information to help the reader assess the Township's most significant local revenue source, the property tax.

# Charter Township of Meridian, Ingham County, Michigan

## Revenue Capacity Taxable Value and Actual Value of Taxable Property Last Ten Fiscal Years

Taxable Value by Property Type						
Real Property				Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a % of Actual
Tax Year	Residential	Commercial, Industrial, Agricultural, and Other	Total Value			
1997	\$ 679,758	\$ 253,908	\$ 933,666	37.87	\$ 1,931,053	48.35
1998	667,083	321,027	988,110	37.25	2,092,501	47.22
1999	799,776	251,569	1,051,345	41.08	2,446,634	42.97
2000	846,199	318,233	1,164,432	38.75	2,617,026	44.49
2001	902,611	344,920	1,247,531	40.50	2,833,688	44.02
2002	964,273	364,772	1,329,045	41.89	3,101,301	42.85
2003	1,011,493	379,352	1,390,845	42.96	3,330,818	41.76
2004	1,063,559	386,989	1,450,548	42.59	3,517,861	41.23
2005	1,117,485	404,765	1,522,250	37.21	3,671,652	41.46
2006	1,182,037	412,043	1,594,080	40.14	3,812,547	41.81

Note: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

Source: Charter Township of Meridian Assessor

See independent auditor's disclaimer on the statistical information.

## Charter Township of Meridian, Ingham County, Michigan

### Revenue Capacity Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes							Total Tax Rate	
	General		Special Purpose	Total Direct Taxes	Ingham County	Lansing Community College	Ingham Intermediate School District	Okemos School - Homestead	Haslett School - Homestead	Williamston School - Homestead	E. Lansing School - Homestead	Homestead	Non-homestead
	Operating	Debt											
1997	4.42	0.27	1.97	6.65	8.76	2.94	6.20	11.60	13.63	13.30	12.29	50.82	36.84
1998	4.38	0.27	1.91	6.55	10.19	2.94	6.20	14.80	15.82	15.65	14.60	60.86	40.47
1999	4.33	0.26	1.97	6.55	10.14	2.92	6.16	11.60	14.48	13.30	12.51	51.89	38.29
2000	4.31	0.22	2.81	7.33	10.42	2.91	6.14	11.60	14.47	13.30	15.43	54.80	42.23
2001	4.24	0.19	2.86	7.29	10.43	3.89	6.10	12.10	15.87	13.30	15.42	56.68	43.14
2002	4.27	0.15	2.91	7.33	11.68	3.87	6.07	12.20	15.15	13.30	15.35	56.00	44.31
2003	4.23	0.14	2.89	7.26	12.25	3.85	6.06	12.01	14.14	12.30	14.23	52.68	43.65
2004	4.23	0.18	2.88	7.29	12.20	3.84	6.03	5.73	9.13	13.60	15.25	43.71	44.61
2005	4.21	0.18	2.87	7.26	12.26	3.81	5.99	11.73	15.12	13.30	15.15	55.30	44.46
2006	4.21	0.18	2.87	7.26	13.17	3.81	5.99	11.73	15.12	13.30	15.08	55.23	45.31

Note: The Township has multiple overlapping tax districts due to 425 agreements, additional school districts, and TIF plans. The tax rates shown above relate to the Township's tax for the Ingham, Okemos, Haslett, Williamston, and East Lansing School Districts. Information relating to other overlapping tax districts can be obtained from the finance department at Township Hall.

Source: Charter Township of Meridian Treasurer

See independent auditor's disclaimer on the statistical section information.

## Charter Township of Meridian, Ingham County, Michigan

### Revenue Capacity Principal Property Taxpayers

Taxpayer	2006 Taxable Value	Percentage of Total	1997 Taxable Value	Percentage of Total	1996 Rank
1 Eyde	\$ 31,291,438	0.20	\$ 25,250,900	0.27	1
2 Meridian Mall	26,195,458	0.16	12,318,500	0.13	4
3 Consumers Energy	15,678,079	0.10	14,795,400	0.16	2
4 Sparrow Development	14,229,020	0.09	-	-	-
5 Brandywine Creek LLC	7,864,081	0.05	-	-	-
6 Aimco	7,468,372	0.05	-	-	-
7 Michigan Properties	7,172,506	0.04	-	-	-
8 Meijer Thrifty Acres	6,664,542	0.04	8,742,700	0.09	5
9 Wal-Mart Stores Inc	6,548,614	0.04	-	-	-
10 Alltel/Lansing MTSO	5,759,400	0.04	-	-	-

Source: Charter Township of Meridian Assessor

See independent auditor's disclaimer on the statistical section information.

## Charter Township of Meridian, Ingham County, Michigan

### Revenue Capacity Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
1997	\$ 6,211,783	\$ 6,172,856	99.37	\$ 8,467	\$ 6,181,323	99.51
1998	6,475,387	6,183,950	95.50	26,427	6,210,377	95.91
1999	7,434,633	7,046,534	94.78	24,204	7,070,738	95.11
2000	8,521,504	8,107,682	95.14	19,654	8,127,336	95.37
2001	9,081,805	8,652,432	95.27	25,526	8,677,958	95.55
2002	9,168,434	8,776,345	95.72	36,694	8,813,039	96.12
2003	9,729,776	9,250,870	95.08	42,639	9,293,509	95.52
2004	10,089,407	9,657,787	95.72	44,156	9,701,943	96.16
2005	10,574,466	10,190,545	96.37	17,481	10,208,026	96.53
2006	11,037,375	10,691,974	96.87	15,026	10,707,000	97.01

Source: Charter Township of Meridian Treasurer

See independent auditor's disclaimer on the statistical section information.

## **Debt Capacity**

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These schedules contain information to help the reader assess the affordability of the Township's current levels of outstanding debt, and the Township's ability to issue additional debt in the future.

# Charter Township of Meridian, Ingham County, Michigan

## Debt Capacity Ratios of Outstanding Debt Last Four Fiscal Years

	2003	2004	2005	2006
<b>Governmental Activities</b>				
General obligation bonds	\$ 1,295,000	\$ 1,145,000	\$ 945,000	\$ 750,000
Installment purchase agreements	1,348,004	1,216,953	2,956,623	1,971,706
Special assessment bonds	<u>160,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	2,803,004	2,361,953	3,901,623	2,721,706
<b>Business Type Activities -</b>				
Installment purchase agreements	<u>376,414</u>	<u>301,317</u>	<u>233,019</u>	<u>141,428</u>
Total debt of the government	<u><b>\$ 3,179,418</b></u>	<u><b>\$ 2,663,270</b></u>	<u><b>\$ 4,134,642</b></u>	<u><b>\$ 2,863,134</b></u>
<b>Total Taxable Value</b>	\$ 1,390,845	\$ 1,450,548	\$ 1,522,250	\$ 1,594,080
Debt as a percentage of taxable value	2.29	1.84	2.72	1.80
<b>Total Population</b>	39,125	39,125	39,125	39,125
Total debt per capita	\$ 81	\$ 68	\$ 106	\$ 73

See independent auditor's disclaimer on the statistical section information.

## Charter Township of Meridian, Ingham County, Michigan

### Debt Capacity Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Obligation Debt	Taxable Value	Debt as a Percentage of Actual Taxable Value	Population	Net General Obligation Debt per Capita
1997	\$ 2,175,000	\$ -	\$ 2,175,000	\$ 223,482	\$ 223,482	\$ 933,666	23.94	35,644	\$ 6
1998	2,070,000	-	2,070,000	177,812	177,812	988,110	18.00	35,644	5
1999	1,945,000	-	1,945,000	135,284	135,284	1,051,345	12.87	35,644	4
2000	1,775,000	-	1,775,000	110,994	110,994	1,164,432	9.53	35,644	3
2001	1,610,000	-	1,610,000	853,851	853,851	1,247,531	68.44	35,644	24
2002	1,450,000	-	1,450,000	787,201	787,201	1,329,045	59.23	35,644	22
2003	1,295,000	-	1,295,000	1,265,763	1,265,763	1,390,845	91.01	39,125	32
2004	1,145,000	-	1,145,000	1,160,548	1,160,548	1,450,548	80.01	39,125	30
2005	945,000	-	945,000	2,929,600	2,929,600	1,522,250	192.45	39,125	75
2006	750,000	-	750,000	1,971,706	1,971,706	1,594,080	123.69	39,125	50

See independent auditor's disclaimer on the statistical section information.



## Charter Township of Meridian, Ingham County, Michigan

### Debt Capacity Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Ingham County	\$ 32,184,748	21.24%	\$ 6,836,040
East Lansing - Meridian Water and Sewer Authority	66,305,000	15.01%	9,952,381
East Lansing School District	-		-
Okemos School District	83,709,938	16.14%	13,510,784
Williamston School District	67,925,849	70.47%	47,867,346
Haslett School District	41,873,000	88.66%	37,124,602
Lansing Community College	53,794,263	9.15%	4,922,175
Total overlapping debt			120,213,328
Direct Township debt			2,863,134
Total direct and overlapping debt			<u><u>\$ 123,076,462</u></u>

See independent auditor's disclaimer on the statistical section information.

## Charter Township of Meridian, Ingham County, Michigan

### Debt Capacity Pledged Revenue Coverage

Fiscal Year	Water and Sewer Revenue Bonds						Special Assessment Bonds				
	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service			Special Assessment Collections	Debt Service			
				Principal	Interest	Coverage		Principal	Interest	Coverage	
1997	\$ 5,375,124	\$ 4,268,839	\$ 1,106,285	\$ 995,000	\$ 59,785	104.88%	\$ 206,911	\$ 264,400	\$ 124,931	53.15%	
1998	5,814,661	4,843,668	970,993	500,000	40,215	179.74%	200,548	280,967	110,763	51.20%	
1999	6,102,035	4,689,035	1,413,000	490,000	34,248	269.53%	204,871	280,967	95,054	54.48%	
2000	-	-	-	-	-	-	160,124	297,534	78,781	42.55%	
2001	-	-	-	-	-	-	281,214	297,534	61,630	78.30%	
2002	-	-	-	-	-	-	168,847	297,534	43,985	49.44%	
2003	-	-	-	-	-	-	142,836	292,534	25,583	44.90%	
2004	-	-	-	-	-	-	131,377	160,000	8,400	78.01%	
2005	-	-	-	-	-	-	-	-	-	-	
2006	-	-	-	-	-	-	-	-	-	-	

## Charter Township of Meridian, Ingham County, Michigan

	1997	1998	1999	2000
<b>Calculation of Debt Limit -</b>				
State equalized valuation	<u>\$965,526,500</u>	<u>\$ 1,046,250,500</u>	<u>\$ 1,223,317,000</u>	<u>\$ 1,308,513,000</u>
10% of taxable value	\$ 96,552,650	\$ 104,625,050	\$ 122,331,700	\$ 130,851,300
<b>Calculation of Debt Subject to Limit -</b>				
Total debt	4,691,426	4,304,969	3,912,875	3,433,653
Less debt not subject to limit:				
Special assessment debt	1,907,070	1,626,103	1,345,136	1,047,602
Contractual adjustment	223,482	177,812	135,411	110,994
Employee compensated absences	<u>385,874</u>	<u>431,054</u>	<u>487,328</u>	<u>500,057</u>
Total	<u>2,516,426</u>	<u>2,234,969</u>	<u>1,967,875</u>	<u>1,658,653</u>
Net debt subject to limit	<u>2,175,000</u>	<u>2,070,000</u>	<u>1,945,000</u>	<u>1,775,000</u>
Legal debt margin	<u>\$ 94,377,650</u>	<u>\$ 102,555,050</u>	<u>\$ 120,386,700</u>	<u>\$ 129,076,300</u>
Net debt subject to limit as a percentage of debt limit	2.25	1.98	1.59	1.36

See independent auditor's disclaimer on the statistical information.

**Debt Capacity  
Legal Debt Margin  
Last Ten Fiscal Years**

2001	2002	2003	2004	2005	2006
<u><b>\$ 1,416,844,000</b></u>	<u><b>\$ 1,550,650,500</b></u>	<u><b>\$ 1,665,409,000</b></u>	<u><b>\$ 1,758,930,500</b></u>	<u><b>\$ 1,835,826,000</b></u>	<u><b>\$ 1,906,273,500</b></u>
\$ 141,684,400	\$ 155,065,050	\$ 166,540,900	\$ 175,893,050	\$ 183,582,600	\$ 190,627,350
3,702,673	3,171,022	3,356,181	2,994,442	4,622,242	3,515,434
750,068	452,534	160,000	-	-	-
853,851	787,201	1,265,763	1,160,548	2,929,600	1,971,706
<u>488,754</u>	<u>481,287</u>	<u>635,418</u>	<u>688,894</u>	<u>747,642</u>	<u>793,728</u>
<u>2,092,673</u>	<u>1,721,022</u>	<u>2,061,181</u>	<u>1,849,442</u>	<u>3,677,242</u>	<u>2,765,434</u>
<u>1,610,000</u>	<u>1,450,000</u>	<u>1,295,000</u>	<u>1,145,000</u>	<u>945,000</u>	<u>750,000</u>
<u><b>\$ 140,074,400</b></u>	<u><b>\$ 153,615,050</b></u>	<u><b>\$ 165,245,900</b></u>	<u><b>\$ 174,748,050</b></u>	<u><b>\$ 182,637,600</b></u>	<u><b>\$ 189,877,350</b></u>
1.14	0.94	0.78	0.65	0.51	0.39

## **Demographic and Economic Information**

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the Township's financial activities take place.

## **Charter Township of Meridian, Ingham County, Michigan**

### **Demographic and Economic Information Demographic and Economic Statistics**

Calendar Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	City's Unemployment Rate
1970	23,827	\$ 103,933	\$ 4,362	5.70%
1980	28,735	308,815	10,747	6.20%
1990	35,644	594,506	16,679	3.10%
2000	39,125	1,259,434	32,190	1.80%

Sources: Regional Economic Information System, Bureau of Economic Analysis,  
U.S. Department of Commerce, and U.S. Census Bureau  
City of East Lansing Department of Planning and Community Development

See independent auditor's disclaimer on the statistical information.

# Charter Township of Meridian, Ingham County, Michigan

## Demographic and Economic Information Principal Employers

Taxpayer	Calendar Year	Percentage of Total	Calendar Year	Percentage of Total	Calendar
	2002 Employees		1991 Employees		Year 1991 Rank
1 State of Michigan	14,998	22.83	15,600	26.00	2
2 Michigan State University	13,636	20.76	9,000	15.00	3
3 General Motors	12,500	19.03	20,500	34.17	1
4 Sparrow Health System	6,000	9.13	3,500	5.83	5
5 Dart Container	5,000	7.61	-	-	
6 Meijer, Inc	4,261	6.49	4,000	6.67	4
7 Lansing School District	3,500	5.33	2,400	4.00	6
8 Ingham Regional Medical	2,500	3.81	1,500	2.50	8
9 Lansing Community College	2,000	3.04	2,000	3.33	7
10 U.S. Postal Service	1,300	1.98	1,500	2.50	10

Source: Regional Economic Information System, Bureau of Economic Analysis, and U.S. Department of Commerce

See independent auditor's disclaimer on the statistical information.

## **Operating Information**

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These schedules contain service and infrastructure data to help the reader understand how the information in the Township's financial report relates to the services the Township provides and the activities it performs.



## Charter Township of Meridian, Ingham County, Michigan

### Operating Information Full-time Equivalent Government Employees Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	44.0	46.9	42.1	45.1	41.8	38.7	39.5	40.2	39.2	42.0
Public safety:										
Police	57.5	57.5	56.5	56.5	58.5	59.5	57.5	57.5	57.0	56.5
Fire and EMS	34.0	34.0	40.0	41.0	43.0	43.0	42.0	42.0	42.0	42.0
Community Planning and Development	12.5	12.5	12.5	12.5	12.5	12.5	13.3	13.3	13.3	13.3
Public works	26.6	26.6	27.5	27.9	27.8	25.3	26.2	22.2	22.2	21.3
Parks and recreation	3.3	3.3	6.4	7.8	8.2	8.2	8.7	8.7	8.9	9.2
Total	<u>177.90</u>	<u>180.88</u>	<u>185.00</u>	<u>190.80</u>	<u>191.80</u>	<u>187.17</u>	<u>187.10</u>	<u>183.80</u>	<u>182.50</u>	<u>184.16</u>

## Charter Township of Meridian, Ingham County, Michigan

### Operating Information Operating Indicators Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Election data:										
Registered voters	31,350	30,600	29,400	31,200	30,200	29,500	29,200	30,600	30,500	30,140
Voters (at the polls or absentee)	8,430	16,470	6,030	20,800	3,150	16,600	6,260	22,300	20,000	18,190
Percent voting	26.9	53.8	20.5	66.7	10.4	56.3	21.4	72.9	65.6	60.4
Police:										
Physical arrests	1,326	1,551	1,315	1,300	1,366	1,472	1,561	1,526	1,579	1,564
Traffic violations	5,931	5,352	5,482	6,131	7,548	7,634	7,652	7,473	7,661	9,770
Investigations	525	541	430	511	408	469	446	431	342	317
Fire:										
Fire runs	654	641	649	778	940	1,066	1,034	974	982	970
Emergency medical runs	2,258	2,274	2,320	2,150	2,693	2,639	2,513	2,615	2,752	2,811
Inspections	300	315	348	372	389	319	331	338	305	310
Parks and recreation - Recreation and Arts programs registrants										
Water:										
Number of customers billed	12,000	12,250	12,250	12,500	12,500	12,500	13,000	13,000	13,000	13,000
Total gallons purchased	1,361,067	1,480,121	1,400,000	1,367,270	1,400,426	1,367,270	1,550,064	1,433,120	1,391,084	1,355,983
Average consumption per user	113	121	114	109	112	109	119	110	107	104
Sewer - Average daily sewage treatment						4,632,800	4,027,400	9,308,260	4,525,900	4,443,800

See independent auditor's disclaimer on the statistical information.

# Charter Township of Meridian, Ingham County, Michigan

## Operating Information Capital Asset Statistics Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units (#officers and sergeants)	37	37	39	39	41	42	41	41	41	41
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Fire response vehicles	4	4	4	4	4	4	4	4	4	4
Emergency response vehicles	3	4	4	4	4	4	4	4	4	4
Pedestrian/Bicycle pathways	54.28	56.49	58.49	60.10	61.93	63.70	64.89	66.17	68.29	69.03
Parks and recreation:										
Acreage	830	830	833	833	833	835	877	877	885	904
Mowing acres	142	143	143	143	143	179	179	200	224	229
Developed parks/playgrounds	20	20	20	20	20	22	22	22	22	22
Developed fields (soccer, baseball, etc)	8	8	10	10	10	10	10	10	10	10
Water:										
Mains (miles)	135.91	137.82	138.00	142.51	138.00	138.00	138.00	138.00	138.00	158.00
Fire hydrants	1,532	1,532	1,532	1,532	1,532	1,753	1,800	1,900	1,900	1,900
Storage capacity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Sewer:										
Miles of sanitary sewers	123.88	124.70	125.00	127.40	130.00	130.00	130.00	130.00	130.00	138.00
Township vehicles/equipment	183	188	195	180	180	180	180	180	180	180

Source: Township of East Lansing Records

See independent auditor's disclaimer on the statistical information.

# **Charter Township of Meridian Ingham County, Michigan**

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**Report to the Township Board  
December 31, 2006**

plante  
  
moran

To the Township Board  
Charter Township of Meridian  
Ingham County, Michigan

We recently completed our audit of the December 31, 2006 financial statements of the Charter Township of Meridian, Ingham County, Michigan. Our informational comments are presented as outlined below:

Title	Page
<b>Informational</b>	
Retiree Health Care Benefits	2
Auditing Standards Continue to Change	2-4
Property Assessment Cap	4-5

This report is intended solely for the information and use of the Township Board, management, and others within the Township.

We are grateful for the opportunity to be of service to the Charter Township of Meridian, Ingham County, Michigan. Should you have any questions regarding these comments, please do not hesitate to call.

*Plante & Moran, PLLC*

June 15, 2007

## **Informational**

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**Charter Township of Meridian  
Ingham County, Michigan  
Informational  
December 31, 2006**

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**Retiree Health Care Benefits**

The Governmental Accounting Standards Board released Statements Number 43 and 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncements provide guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. Therefore, the manner in which retiree health care benefits are budgeted will not change, unless you begin funding the benefits (however, as discussed below, there are incentives to do so).

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets. During the year of implementation, which is fiscal year ended December 31, 2008 for GASB 45, the valuation completed must be no more than a maximum of two years old, hence performed as of December 31, 2006, or later.

The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the normal fairness issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year’s contribution. So funding the contribution will actually reduce your long run cost.

**Auditing Standards Continue to Change**

**SAS 103 - Audit Documentation (For fiscal years ending December 31, 2006 and after)**

In December 2005, the American Institute of Certified Public Accountants (AICPA) Audit Standards Board issued a new Statement on Auditing Standards (SAS). The effective date of this statement is for fiscal years ending December 31, 2006 and after. This standard clarifies and increases the requirements that auditors must follow in obtaining, managing, and retaining documentation that supports the audit opinion. It prescribes the form, content, and extent of audit documentation necessary to support the audit work. It also redefines the method used to determine the dating of the auditor’s report and creates a “lock down” date for the audit file.

**Charter Township of Meridian  
Ingham County, Michigan  
Informational  
December 31, 2006**

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**Accounting Standards Continue to Change (Continued)**

The substantive implication of this new standard is that auditors will be more specific in their requests for information from the Township and will require the Township to be well prepared, in all areas, for audit prior to the start of the year end field work, to ensure additional audit work is not necessary after the audit team leaves the field.

**SAS 112 - Communication of Internal Control Related Matters Noted in an Audit (For fiscal years ending December 31, 2006 and after)**

This standard establishes requirements and provides guidance to enhance the auditor's communication responsibility to the Township Board concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The standard defines internal control deficiency, significant deficiency, and material weakness. Internal control deficiencies that constitute significant deficiencies and material weaknesses will be reported to the Board in writing and will be made no later than 60 days following the release date of the auditor's report on the financial statements

The substantive implication of this new standard is that it is likely that auditors will be required to officially report on more internal control related items than in the past. This is because the new audit standard lowers the threshold that is used to determine if a control deficiency must be officially reported. This lowered threshold increases the likelihood that the auditor may raise concerns over issues or practices within the Township that have not been discussed previously.

**SAS 114 - The Auditor's Communication with Those Charged with Governance (For fiscal years ending December 31, 2007 and after)**

This standard was recently issued and represents a significant change. Communication to all boards will be formalized in a format previously reserved specifically for audit committees. This new standard will require communication to the entire board (absent an existing audit committee) of required topics such as the following:

- Major difficulties in performing the audit
- Uncorrected misstatements ("passed adjustments")
- Material adjustments made during the audit
- Disagreements with management
- Significant management representations



**Charter Township of Meridian  
Ingham County, Michigan  
Informational  
December 31, 2006**

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**Accounting Standards Continue to Change (Continued)**

**SAS 104 to 111 - The Risk Assessment Standards (For fiscal years ending December 31, 2007 and after)**

These eight new standards will substantially affect the auditing process. At this point, the specific impact of these standards on the auditing process is being evaluated. Our early analysis indicates that it likely will require increased emphasis on evaluation of an entity's internal controls including:

- Risk assessment by the entity to determine where controls might be needed
- Control activities (procedures) in place to limit the risk of an error or fraud
- Information and communication (reporting) of financial activities of the entity
- Monitoring (checks and balances) of the processes put in place
- Limits on "inquiry" as a valid audit test
- Greater focus on the impact of potential audit adjustments
- Additional support for information included in the notes to the financial statements
- Potential increases in audit sample sizes
- Increased need for the entity to be actively involved in the preparation of their financial statements

**Property Assessment Cap**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2007	3.7%
2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%

The 2006 inflation factor was used for property taxes levied in the Township's fiscal year ended December 31, 2006. Property taxes are the Township's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is performing long-term financial planning.

**Charter Township of Meridian  
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Informational  
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**Property Assessment Cap (Continued)**

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.